

**CITY OF TULLAHOMA, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**PREPARED BY:**

**SUSAN WILSON, CMFO  
FINANCE DIRECTOR**

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## **INTRODUCTORY SECTION**



March 31, 2017

To the Honorable Mayor Lane Curlee, Aldermen and Citizens of Tullahoma, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tullahoma for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the City of Tullahoma, Tennessee. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of Tullahoma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Tullahoma's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Tullahoma's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Tullahoma's financial statements have been audited by Housholder Artman, PLLC, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Tullahoma's financial statements for the year ended June 30, 2016, are fairly presented in conformity with GAAP.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and the independent auditor's report on compliance and internal controls. The introductory section includes this transmittal letter, a listing of public officials, and an organizational chart of the Government's public service departments.

The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, required supplementary information, and statements of individual funds and component units. The Government is required to include MD&A as an analysis of the government's financial performance for the year. This letter of transmittal is intended as an introduction and should be read in conjunction with MD&A.

The statistical section includes demographic and financial information with multiple years shown for comparison.

The fourth section contains the independent auditors' reports on the internal control structure and compliance with laws and regulations as required by the provisions of Single Audit Act and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

### **Profile of the Government**

The City of Tullahoma had a 2010 census population of 18,579 and is located in both Coffee and Franklin Counties in southern middle Tennessee. The Government provides a wide range of services including: education, public works, parks and recreation, planning and codes, fire and police protection, public power, water, wastewater services and fiber optics, and general administrative services. The City also operates its own award winning K-12 school system. Tullahoma High School students' ACT and SAT scores consistently exceed state and national averages.

A Board of Mayor and Aldermen govern the City of Tullahoma. The board members serve the city at-large. The Board of Mayor and Aldermen sets policy for the city government, appoints committee and board members, approves an annual budget, enacts laws and ordinances, enters into contracts, and sets public hearings.

### **Economic Conditions**

Tullahoma's central location has fostered its growth into a thriving regional, commercial, shopping and medical hub that boasts a healthy business environment and is home to over 68 service and manufacturing industries. 34% of the State's 5.689 million citizens reside in the Middle Tennessee area and many pass through Tullahoma; the daily average traffic count for Tullahoma's main retail area is approximately 24,000. This excellent "hub" location continues to attract new retail big box and smaller specialty retailers.

Since the opening of Arnold Air Force Base here in 1951, Tullahoma has been an aviation and aeronautics industry center. Arnold Engineering Development Complex at Arnold Air Force Base is home to the world's largest and most comprehensive collection of flight simulation test facilities.

Tullahoma has continued to partner with Coffee County and the State of Tennessee for economic development projects and has been honored with the Governor's Three Star Award for the past 20 years. Additionally, Tullahoma has established the Tullahoma

Area Economic Development Corporation to assist local businesses with expansion opportunities, as well as attract new businesses to the area.

Tullahoma is situated near several lakes and parks making it a great recreational haven. It is also a regional center for the arts, with community plays, annual cultural fairs and events, a fine arts center and science contributing to the quality of life for residents and generating tourism revenue.

### **Primary Government and Component Units**

As detailed later in the Management Discussion and Analysis portion of this financial report, the City of Tullahoma is comprised of several related entities. The City of Tullahoma Board of Mayor and Aldermen have varying degrees of authority for the operations of these entities by state law, or by local charter and ordinance. The City of Tullahoma and the Tullahoma City Schools are shown in the financial report categorized under “Primary Government – Governmental Activities.” The Tullahoma City Schools are governed by an elected Board of Education empowered with the daily operations of the school system. Approval of the Board of Mayor and Aldermen is required for the annual budget, capital projects and debt issuance. The Board of Education, by state law, cannot levy taxes, and therefore has limited power to generate revenues other than establishing tuition or service-related fees. A City Alderman is appointed annually as the non-voting liaison to the Board of Education, and the City provides a large portion of the school’s operating budget and debt service as periodic transfers throughout the year.

The Tullahoma Utilities Board is reported as a “Primary Government – Business Type Activities”, since it is not dependant on the City of Tullahoma for operating revenues, but derives its income from service fees charged for provision of electricity and water, wastewater collection, and fiber-optics. The Board of Mayor and Aldermen appoint all voting members of the Utilities Board to staggered terms. An Alderman also sits on this Board.

The Tullahoma Airport Authority (TAA), the Tullahoma Industrial Development Board (TIDB) and the Tullahoma Area Economic Development Corporation (TAEDC) are all reported as component units of the City of Tullahoma,. The Board of Mayor and Aldermen appoint the members of these boards as well, with an Alderman as a non-voting liaison. The City of Tullahoma also provides the majority of the operating budget for these entities.

### **Long –Term Financial Planning**

The Board of Mayor and Alderman adopted “Building Our Future: Tullahoma’s Strategic Plan.” This document incorporates previous committee and community planning meetings, growth studies, development studies and plans to provide a comprehensive tool for immediate and long-term planning. This forty-six page document serves as the basis for long range capital and operating forecasts as well as annual budgetary decisions. The City of Tullahoma joined with the City of Manchester and Coffee County in 2005 to participate in the Governor’s Three Star Program. As part of that process, the City of Tullahoma’s strategic plan was folded into a new county-wide economic development



plan entitled, "Our Future Together: Coffee County Tennessee Strategic Development Plan FY2006-2010". This plan provided a five-year planning basis for many of the initiatives now in process. The plan covers several broad themes such as creating a vibrant economy, developing a safe, caring and diverse community as well as promoting goals and objectives to facilitate a sustainable healthy environment. The annual budget process integrates the philosophies of this document into capital expenditure planning and direction.

## **Budget Process**

The Tullahoma Municipal Code (Title 6, Chapter 1, Section 6-102) provides that no later than fifteen (15) days prior to the beginning of each fiscal year, the City Administrator shall prepare and submit to the Board of Mayor and Alderman a proposed budget for the next fiscal year, showing separately for the general fund and for each other fund the following information: Revenue and expenditures during the preceding fiscal year; Appropriations and estimated revenue and expenditures for the current fiscal year; and Estimated revenue and recommended expenditures for the next fiscal year.

The Mayor and/or City Administrator may recommend and estimate additional revenue measures including increases in property tax rates, provided estimates are separated clearly from normal revenue estimates. The budget will be accomplished by a message from the Mayor containing a statement of the general fiscal policies of the City, the important features of the budget, explanations of major changes recommended for the next fiscal year as compared with the current fiscal year, a general summary of the budget and such other comments and information as may be deemed pertinent to the budget process. To ensure compliance with this Municipal Code requirement, a budget schedule is prepared to facilitate the decision-making process by providing overall direction to City departments and independent boards and agencies that derive funding from City government. The budget preparation process begins in late winter when the City departments begin preparation of long-term capital improvement project requests.

In early March, City departments begin assessing new resource needs for the coming year relative to equipment, maintenance requirements, information technology, and proposed new and expanded work programs. In early April, the Mayor presents his goals and objectives for the upcoming fiscal year to the Board of Mayor and Aldermen. Based on those initiatives, budget requests and supporting documentation is prepared by individual departments and submitted for review by the City Administrator and Finance Director. The Finance Director then creates a preliminary budget for review by staff and the Board during the budget process. The budget documentation submitted by individual departments also includes a statement of proposed departmental goals and objectives, performance measures and estimates of performance for the coming fiscal year, and a detailed line item budget outlining expenditure and justifications for maintaining current and expanded expenditure levels. During April, the City Administrator conducts a review and evaluation of each request in light of available revenues and in accordance with the City's overall goals and objectives.

During May, the Finance Director, with direction from the City Administrator, compiles the information from earlier steps in the budget process into one budget document for

review by the Board of Mayor and Aldermen. Generally, the last half of April and early May is set aside for the City Administrator's budget review sessions with department heads and elected officials. Departmental objectives, measures of performance and operating budgets are refined for consolidation in the Proposed Budget document during the month of May. Expenditures and revenue projections for the current fiscal year and estimates for the proposed fiscal year are updated with the latest available data. Final adjustments to routine operating expenditures and anticipated revenues can be introduced for inclusion in the Proposed Budget during this time.

The budget draft for the upcoming fiscal year is first presented to the Board of Mayor and Aldermen in late April for initial review. Budget Work Sessions are held with the Board of Mayor and Aldermen to review the proposed operating budget and proposed allocations to independent boards and agencies deriving funds from City government. These work sessions provide opportunities for the Board, independent boards and agencies, department heads, and the public to comment and ask questions about the proposed budget and to request additional information as needed.

During June, the Board of Mayor and Aldermen will conduct public hearings on the Proposed Budget. These hearings provide formal citizen input to the Board on decisions and issues related to the budget. The first reading of the Budget Ordinance is held at either the first or the second regular meeting in June. The Board of Mayor and Aldermen will formally consider and may amend the proposed budget as deemed necessary and adopt the authorized ordinances pertaining to the budget process. The Board of Mayor and Aldermen schedule special call meetings as necessary specifically for the purpose of reviewing and adopting the proposed budget. Upon the third and final reading by the Board of Mayor and Alderman, the Board will set the appropriate tax rate for the upcoming year.

The City of Tullahoma's budget process encourages interaction among the City Administrator, members of the Board of Mayor and Aldermen, City departments, independent boards and agencies, and the general public. The City continues to review and refine this practice each year to ensure public participation at each step in the decision-making process and that the budget procedure is an informative and complete plan for identifying the revenues and expenditures, and the purposes thereof for the coming fiscal year.

### **Annual Independent Audit**

Section 5-106 of the Code of Ordinances of the City of Tullahoma dictates that "The Board shall employ a certified public accountant to make an annual audit of all financial books and records of the city." It further cites Tennessee Code Annotated §6-56-105 which states that the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds. All audits must be submitted to the comptroller of the treasury for approval. The city periodically solicits professional proposals for audit services and currently contracts with Housholder Artman, PLLC in Tullahoma for the annual audit of all municipal entities.

## Single Audit

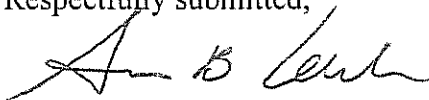
As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. As part of the City's single audit, tests are performed to determine the adequacy of the internal control structure, including the portion related to federal and state financial assistance programs, as well as to determine that the City has complied, in all material respects, with applicable laws and regulations. The results of the City's single audit for fiscal year 2015 are included in this financial report under the Reports on Compliance and Internal Controls section.

## Awards and Acknowledgements

The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the year 1992-1994 and 1996-2009, and 2011-2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of the state and local government financial reports. This Comprehensive Annual Financial Report will also be submitted for award consideration.

Many individuals in all our boards and agencies assisted in the preparation of this Comprehensive Annual Financial Report and we appreciate their cooperation and dedication, as well as the assistance of the City Recorder and Finance Department staff.

Respectfully submitted,



Susan B. Wilson  
Finance Director



Louis J. Baltz, III  
City Administrator



Government Finance Officers Association

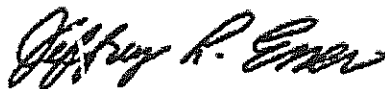
**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Tullahoma  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**



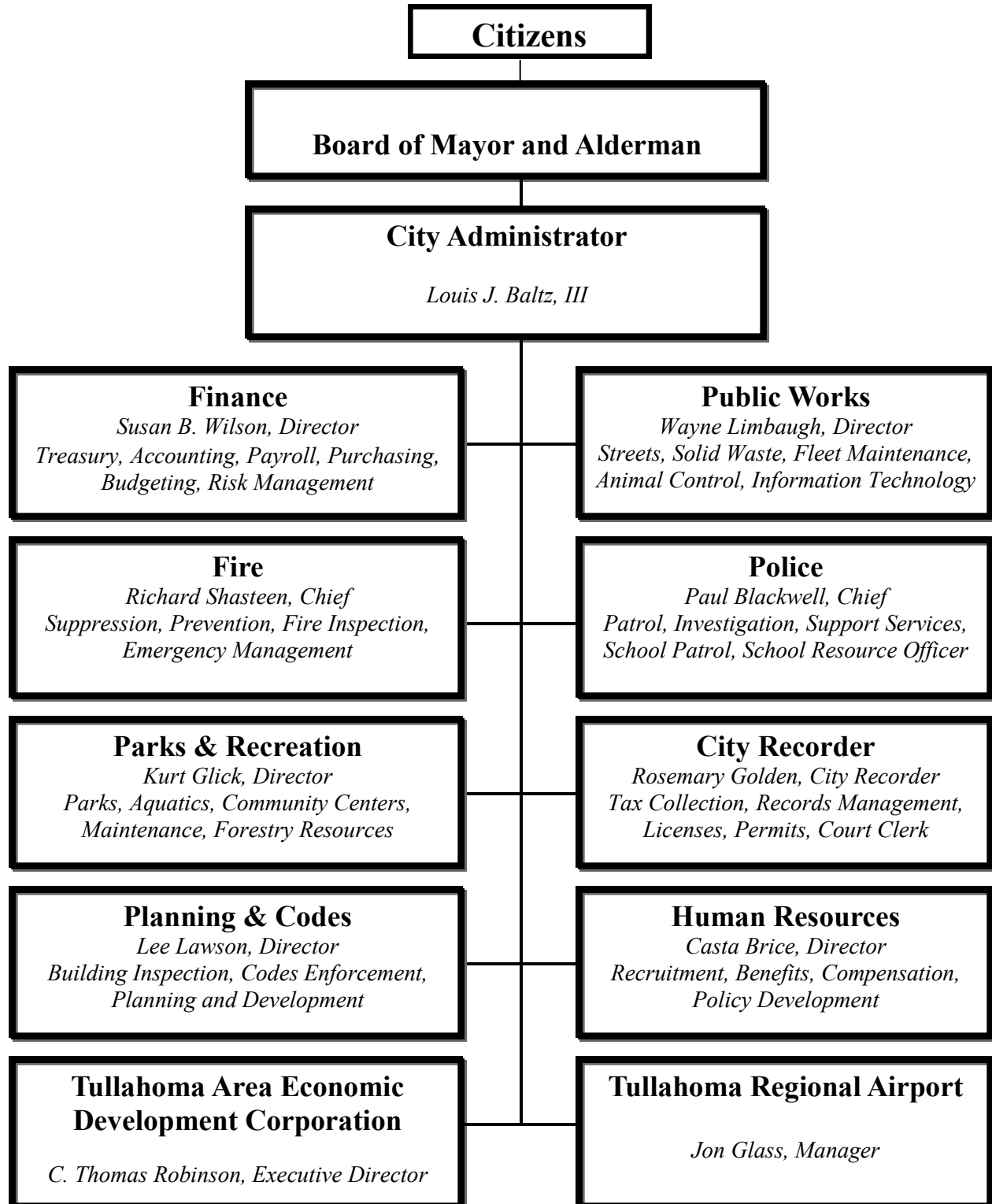
Executive Director/CEO

**CITY OF TULLAHOMA, TENNESSEE  
PUBLIC OFFICIALS**

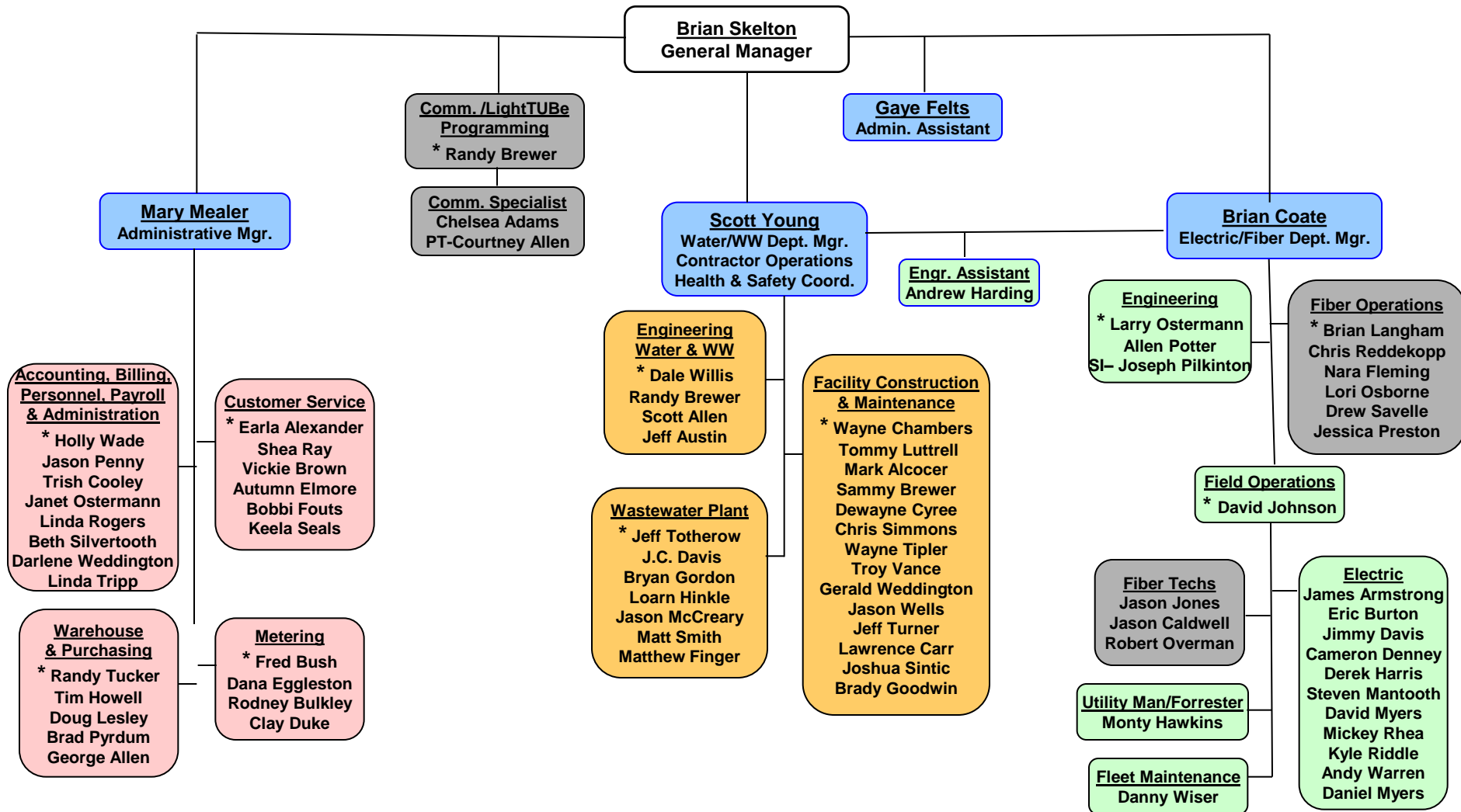
Mayor	Lane Curlee
Mayor Pro-Tem	Jerry Mathis
Alderman	Mike Stanton
Alderman	Jackie Duncan
Alderman	Reneé Keene
Alderman	Ray Knowis
Alderman	James H. Blanks
City Administrator	Louis J. Baltz, III
City Attorney	Steve Worsham
Financial Director, CMFO	Susan Wilson
City Recorder	Rosemary Womack
Accounting Manager	Donna Graham
Director of Public Works	Wayne Limbaugh
Fire Chief	Richard Shasteen
Police Chief	Paul Blackwell
Director of Parks and Recreation	Kurt Glick
Human Resources Director	Casta Brice
Director of Planning and Codes	Lee Lawson
General Manager, Tullahoma Utilities Board	Brian Skelton
Director of Schools, Tullahoma Board of Education	Dr. Dan Lawson
Manager, Tullahoma Municipal Airport Authority	Jon Glass
Executive Director, Tullahoma Area Economic Development Corporation	C. Thomas Robinson
Treasurer, Tullahoma Industrial Development Board	Susan Wilson



## City of Tullahoma



# Tullahoma Utilities Board Organization Chart



\* Supervisor  
PT – Part Time  
SM - Staffmark  
SI – Summer Intern

## **FINANCIAL SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Board of Aldermen  
City of Tullahoma, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of June 30, 2016, and the respective changes in financial position, the respective budgetary comparison for the General Fund and the General Purpose School Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of employer contributions, changes in net pension liability and related ratios, investment returns, proportionate share of net pension asset – pension plans, and schedules of funding progress and employer contributions – other post employment benefits on pages A-1 through A-15 and B-68 through B-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tullahoma, Tennessee's basic financial statements. The introductory section on pages i through x, combining and individual non-major fund financial statements on pages C-2 through C-12, financial schedules on pages C-1, D-1 through D-10 and D-16 through D-17, and statistical section on pages E-1 through E-28, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages D-11 through D-15 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund statements and financial schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017 on our consideration of the City of Tullahoma, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tullahoma, Tennessee's internal control over financial reporting and compliance.



Tullahoma, Tennessee  
March 31, 2017



**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

As management of the City of Tullahoma, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City and its related agencies for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes a transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis and general financial statements for the City of Tullahoma and its component units. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The fourth section is the independent auditor's reports on compliance and internal controls.

**Government Finance Officers Association (GFOA) Certificate of Achievement for  
Excellence in Financial Reporting**

The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the years 1992-1994, and 1996-2009, and 2011-2015. This has been a major achievement for the City. This recognition also reflects significant cooperation between all boards and agencies of the City included in the CAFR and the auditing firm that prepared the CAFR. This CAFR will also be submitted for national award consideration.

**THE REPORTING ENTITY AND ITS COMPONENT UNITS**

This report contains all of the funds and component units of the City of Tullahoma. It includes all activities considered to be part of the "reporting entity" of the City of Tullahoma in compliance with authoritative criteria. In evaluating as to how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board Statement Number 14.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

**The City of Tullahoma (Primary Government – Governmental Activities)**

Tullahoma is located in Southern Middle Tennessee approximately equal distances from Nashville and Chattanooga, Tennessee, and Huntsville, Alabama. The City comprises 25.8 square miles of area located in both Coffee and Franklin Counties. The 2010 census listed Tullahoma's population as 18,579. The City of Tullahoma provides general municipal services in the areas of public safety, public works, planning, and recreation. The Public Works Department also provides solid waste, brush and leaf collection and disposal.

**Tullahoma City Schools (Primary Government – Governmental Activities)**

Tullahoma City Schools (the City Schools) encompasses four elementary schools, two middle schools and one high school. The City Schools serves approximately 3,372 students in grades K-12. An extended school program is in place to provide before and after school child care for our students. The school system is recognized within the State of Tennessee for its academic excellence.

**Tullahoma Utilities Board (Primary Government – Business-type Activities)**

The Tullahoma Utilities Board (the Board) is a municipal public utility and an independent agency of the City of Tullahoma, and provides electricity, water and wastewater services to the residents of Tullahoma and parts of the surrounding area. A distributor of TVA power, with rates among the lowest in the country, the Board currently serves 10,675 electric customers. The Board purchases wholesale water from the Duck River Utility Commission to serve its 9,880 water customers. The Board also operates a wastewater treatment facility with 7,614 sewer customers. The Board recently expanded into the fiber optics area and now offers television, telephone and internet services to over 3,488 customers.

**Tullahoma Municipal Airport Authority (A Component Unit)**

The Tullahoma Municipal Airport Authority (the Authority) operates the Tullahoma Regional Airport. The Tullahoma Municipal Airport plays a vital role in the economic growth of Tullahoma and the surrounding region. Located less than a mile from restaurants, lodging and shopping, it operates on an airport originally constructed in 1942 for the U. S. Army Air Corps. The Airport completed a \$4.3 million paving project in 2008 that significantly enhanced the Airport's ability to support a wide variety of business and recreational opportunities. The 5,500 foot long runway is capable of handling all types of corporate jet aircraft. The Airport also offers an additional 4,200 foot paved runway and a 2,700 foot long grass runway. The City-owned Airport contains 775 acres of land and has approximately 170 acres ready for development. Nineteen new private hangars were completed in 2008, four more in 2010 and the Airport is home to over 140 based aircraft. The Airport averages about 40,000 flight operations each year and opened a new, modern and spacious terminal building in 2010.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(amounts expressed in thousands)**

The Airport is home to the “world class” Beechcraft Heritage Museum complex that houses over 30 vintage, fully restored Beechcraft-built Staggerwing, Twin Beech and Bonanza aircraft, and is open to the public. The University of Tennessee Space Institute’s Flight Research Center is based on the Airport, conducting advanced aerospace research and offering an advanced test pilot curriculum. The Airport is also home to one of Vanderbilt University’s Life Flight helicopter medical evacuation facilities, providing 24/7 rapid patient transport response to the numerous medical centers in Nashville as well as Harton Regional Medical Center in Tullahoma.

**Tullahoma Industrial Development Board (A Component Unit)**

The Tullahoma Industrial Development Board (TIDB) is a Component Unit of City Government. The TIDB was incorporated in 1965. The TIDB’s original mission was to acquire, sell, lease, and dispose of properties in an effort to create jobs, promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate in and near the City of Tullahoma. In June, 2005, the TIDB consolidated those functions with the Coffee County Industrial Board. The TIDB retained its charter and bylaws and amended its mission to monitor and service existing industrial revenue bond issues and to perform any and all acts as set forth and authorized in Section 6-2801 et seq. of the Tennessee Code Annotated. The TIDB turned over management of all assets to the City of Tullahoma. The City continues to utilize those financial assets for economic development activities.

**Tullahoma Area Economic Development Corporation (A Component Unit)**

The Tullahoma Area Economic Development Corporation (TAEDC) was established to help Tullahoma capture economic activity by:

- Creating an economic development organization with a strategic and focused approach to economic planning and development activities
- Establishing a framework for quality economic growth and development targeting particular segments
- Formulating and implementing programs to increase job opportunities
- Partnering with businesses as well as state and local agencies

The Tullahoma Area Economic Development Corporation consists of seven members elected by the Tullahoma Board of Mayor and Aldermen.

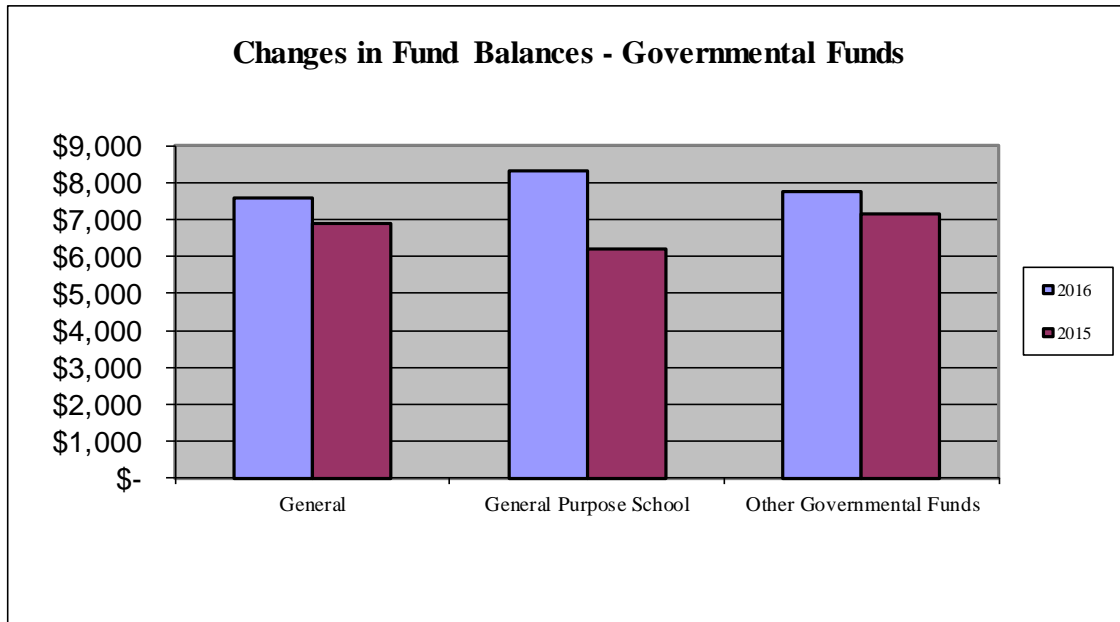
For purposes of this report, the City of Tullahoma and the Tullahoma City Schools financial information has been consolidated and identified as Governmental Activities under the Primary Government sector, while Business-type Activities refers to the Tullahoma Utilities Board and internal service fund data. Component Units presented in this report are the Tullahoma Industrial Development Board, the Tullahoma Municipal Airport Authority, and the Tullahoma Area Economic Development Corporation.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Governmental Activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,925 (net position). Of this amount, \$7,779 is net investment in capital assets; \$12,199 is restricted for debt service, education and other use, with \$5,947 available to meet other ongoing obligations. The Governmental Activities net position increased by \$7,252.
- The Governmental Activities indicates an increase in net investment in capital assets of \$1,792. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.
- The Business-type Activities total net position increased by \$1,555.
- Net investment in capital assets in the Business-type Activities increased by \$797 or 2.9% from last year, due to continued sewer rehabilitation efforts.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$23,751, an increase of \$3,459 from the prior year. While the fund balance in the General Purpose School Fund increased by \$2,163, the fund balance in the City General Fund increased by \$699 and the fund balance in the other governmental funds increased by \$596.
- At the end of the current fiscal year, fund balance for the City's General Fund was \$7,598, or 29.3% of total General Fund expenditures including transfers out.
- The ending fund balance in the General Purpose School Fund increased by 34.8% in FY2016 to \$8,374 or 29.3% of total expenses for that fund.
- The City's total gross debt decreased by only \$3,632 during 2016, as payments were offset by new note issuances in both the Governmental Activities and Business-type Activities functions. The Tullahoma Utilities Board's gross debt decreased by \$1,864 during this period, while the Governmental Activities debt also decreased by \$1,768.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)



**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows of resources, with the difference between assets and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation leave, etc.).



**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
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The Government-wide Income Statement distinguishes functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, and education. The business-type activities of the City include water, wastewater, electricity and fiber optics.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: Governmental Funds and Proprietary Funds.

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen (13) individual government funds, ten (10) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the General-Purpose School Fund, General Debt Services Fund and the Non-Major Governmental Funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriation budget for its general and other major special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

- **Proprietary Funds**

The City maintains four (4) different types of proprietary funds, which are also enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, electric and fiber optic activities at the Tullahoma Utilities Board.

- **Internal Service Fund**

The City maintains one (1) internal service fund, a medical trust fund, which is used to account for the operations of self-sustaining agencies rendering services to other agencies of the government on a cost reimbursement basis.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They further define the audited entities, partnerships and financial relationships.

**Other Information**

The combining statements referred to earlier in connection with non-major governmental funds, budget comparison schedules for funds with legal budgets other than the general fund and other major special revenue funds, and internal service funds are presented immediately following the required supplementary information.

**GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the Governmental Activities, assets and deferred inflows of resources exceed liabilities and deferred outflows of resources reported by \$25,925 at the close of the most recent fiscal year. The City's net investment in capital assets (e.g. land, buildings, and equipment) is largely offset by accumulated depreciation. The Business-type Activities show net position of \$48,583 with 57.5% reflecting net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

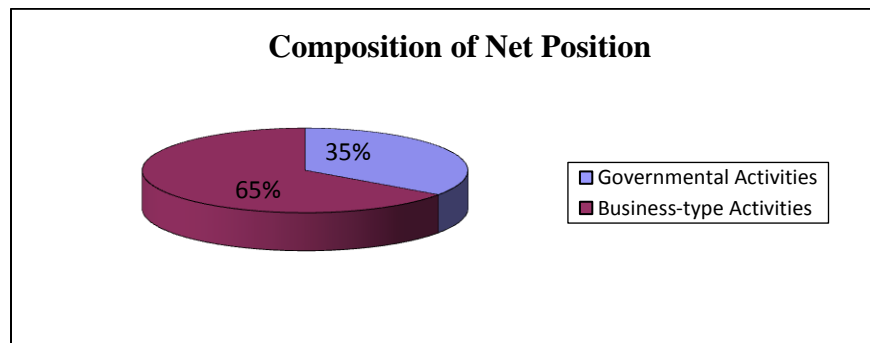
**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

**City of Tullahoma's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and other assets	\$ 38,150	\$ 35,633	\$ 30,177	\$ 29,675	\$ 68,327	\$ 65,308
Capital assets, net of accumulated depreciation	46,479	45,980	47,382	48,411	93,861	94,391
Total assets	84,629	81,613	77,559	78,086	162,188	159,699
Deferred outflows of resources	5,954	3,294	-	-	5,954	3,294
<b>Liabilities:</b>						
Long-term liabilities outstanding	45,684	47,452	19,817	21,681	65,501	69,133
Other liabilities	2,547	3,649	9,159	9,378	11,706	13,027
Total liabilities	48,231	51,101	28,976	31,059	77,207	82,160
Deferred inflows of resources	16,427	15,093	-	-	16,427	15,093
<b>Net position:</b>						
Net investment in capital assets	7,779	5,987	27,944	27,147	35,723	33,134
Restricted	12,199	7,434	9,229	7,659	21,428	15,093
Unrestricted	5,947	5,292	11,410	12,221	17,357	17,513
Total net position	<u>\$ 25,925</u>	<u>\$ 18,713</u>	<u>\$ 48,583</u>	<u>\$ 47,027</u>	<u>\$ 74,508</u>	<u>\$ 65,740</u>

A portion of the Governmental Activities total net position \$12,199 (47.0%) represents resources that are subject to external restrictions on how they may be used. These include net position restricted for payments on bonded debts and notes, drug prevention assets, assets for capital construction and projects, equipment replacement, and pension net asset, as well as education funds. The remaining balance of unrestricted net position \$5,947 may be used to meet the government's ongoing obligations to citizens and short-term creditors.

For the Business-type Activities, \$9,229, or 19.0% of total net position is identified as restricted. This leaves \$11,410 available for various operating needs.



**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

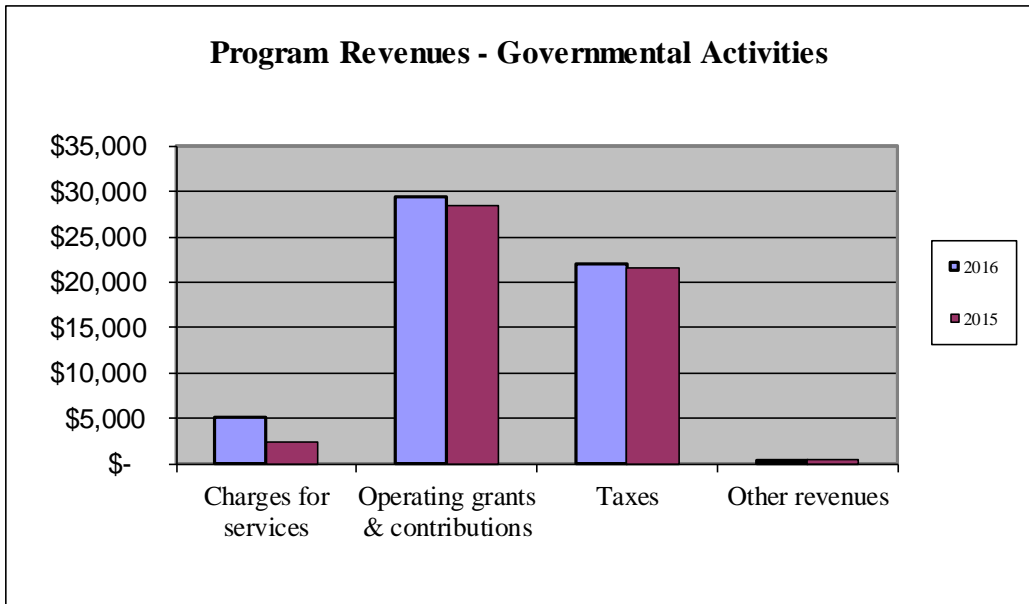
**City of Tullahoma's Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,072	\$ 2,436	\$ 42,939	\$ 43,831	\$ 48,011	\$ 46,267
Operating grants & contributions	29,518	28,530	-	-	29,518	28,530
Capital grants & contributions	-	-	95	190	95	190
General revenues:						
Taxes	22,074	21,593	-	-	22,074	21,593
Other revenues	436	409	121	208	557	617
Investment earnings	79	56	49	24	128	80
Transfers	391	375	(534)	(375)	(143)	-
Total revenues	<u>57,570</u>	<u>53,399</u>	<u>42,670</u>	<u>43,878</u>	<u>100,240</u>	<u>97,277</u>
Expenses:						
General government	4,583	2,327	-	-	4,583	2,327
Public safety	5,422	5,262	-	-	5,422	5,262
Public works	4,649	4,892	-	-	4,649	4,892
Community services	570	511	-	-	570	511
Waste management	2,028	1,926	-	-	2,028	1,926
Education	32,127	33,329	-	-	32,127	33,329
Utilities	-	-	41,114	42,336	41,114	42,336
Interest & debt	939	981	-	-	939	981
Total expenses	<u>50,318</u>	<u>49,228</u>	<u>41,114</u>	<u>42,336</u>	<u>91,432</u>	<u>91,564</u>
Change in net position	7,252	4,171	1,556	1,542	8,808	5,713
Net position, beginning of period	18,713	14,542	47,027	45,485	65,740	60,027
Adjustment to restate beginning net position	(40)	-	-	-	(40)	-
Net position, beginning, as restated	<u>18,673</u>	<u>14,542</u>	<u>47,027</u>	<u>45,485</u>	<u>65,700</u>	<u>60,027</u>
Net position, end of period	<u>\$ 25,925</u>	<u>\$ 18,713</u>	<u>\$ 48,583</u>	<u>\$ 47,027</u>	<u>\$ 74,508</u>	<u>\$ 65,740</u>

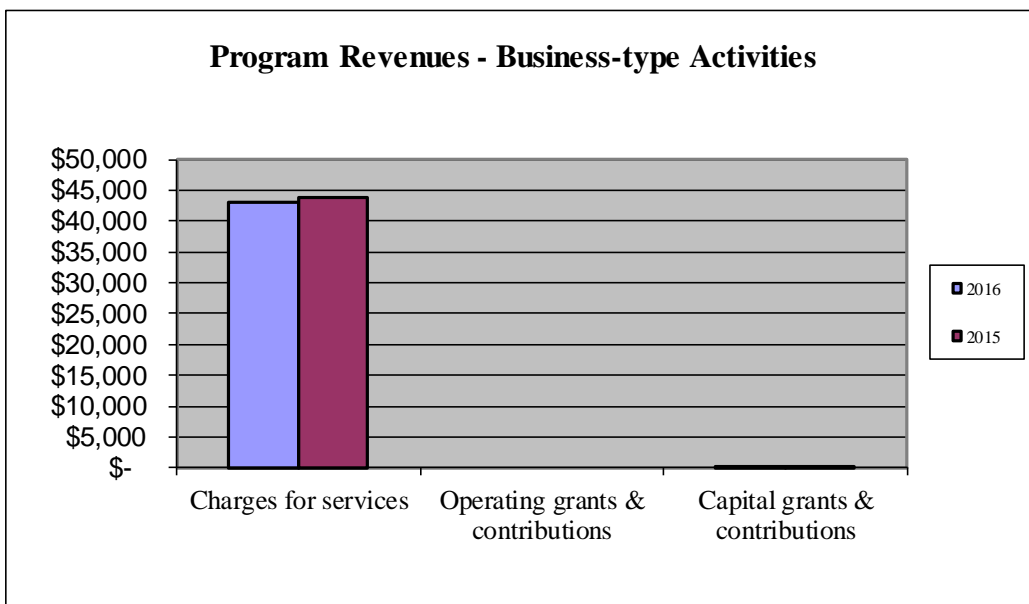
**Changes in Net Position**

- Governmental Activities increased net position by \$7,252. The improvement in Governmental Activities net position was mostly due to the increases in the General Purpose School Fund net assets of \$2,163, and the City General Fund improving by \$699. Fiscal year 2016 saw improvement in the local economy. The City's portion of sales tax increased by \$576 or 6.3% over fiscal year 2015, leading to improved financial positions for both governmental entities.
- Business-type Activities increased net position by \$1,556.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)



Governmental Activities reflect an increase of \$481 in taxes, which includes both the local property tax increase and the improved sales tax collections due to economic improvements and growth in the retail sector. Additionally, the City was able to secure a couple of large state infrastructure grants to assist with street paving as well as airport updates and repairs.



Business-type Activities are financed almost entirely by service charges. Service charges remained consistent during the two year period, reflecting a decrease of \$892.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
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**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

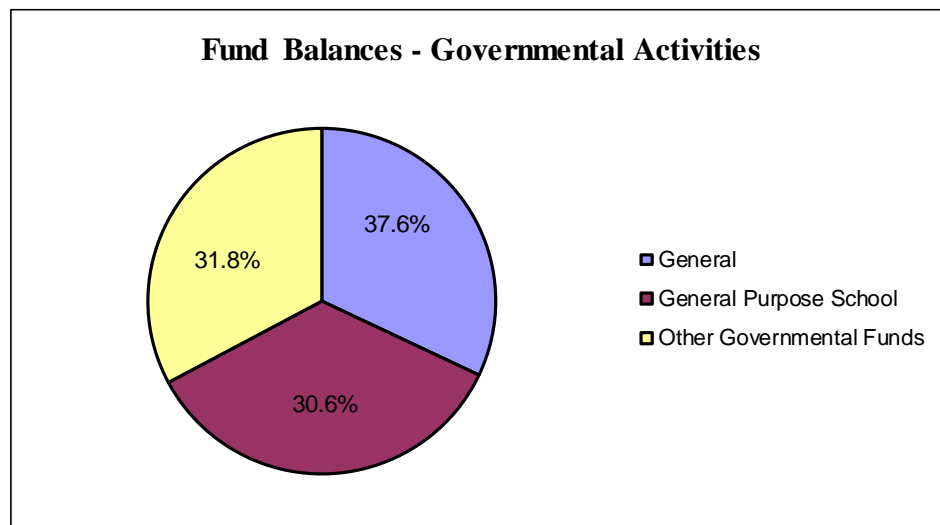
The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tullahoma's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City of Tullahoma's Governmental Funds reported combined ending fund balances of \$23,751, an increase of \$3,460 from the prior year. Both the City General Fund and General Purpose School Fund benefited from increased sales tax and property tax collections.

The City also operates a Solid Waste Fund, but this is not operated as a business-type activity. Although the city charges commercial customers for solid waste collection, residential collection, brush disposal, and litter collection are subsidized by a transfer of property tax dollars from the general fund. Recycling charges in this fund are primarily funded through the revenues generated.

- The General Fund is the chief operating fund of the City. In the governmental fund financial statements, the City has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* where fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,043 while total fund balance amounted to \$7,598. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.
- Unassigned fund balance represents 23.3% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund increased by \$699 as a result of the current fiscal year operations. The General Fund had \$23 in outstanding encumbrances at year end.
- The General Purpose School Fund has a total fund balance of \$8,374. For FY2016 expenditures decreased by \$406, revenues increased by \$713.
- The General Debt Service fund has an ending fund balance of only \$228. Funds are transferred in from both the City General Fund and the Education Debt Service fund for payments on bonds and notes.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

- The Education Debt Service Fund had a beginning fund balance of \$3,120, which increased to \$3,467 at year end, due to interest rates remaining below budget on the variable rate 2008 \$12,000 loan for school renovation projects. Those projects included the renovation of the Tullahoma High School football stadium and auditorium which were completed in fiscal year 2011, and the renovation and expansion of East Lincoln Elementary School which was completed in fiscal year 2012.
- The City Capital Projects are the next largest non-major fund, with an ending balance of \$1,517, increased by \$60 from fiscal year 2015. Most of the projects in this group are for street paving, for sidewalks and other infrastructure, and for utilizing transfers from general fund as the local grant match to leverage State of Tennessee Department of Transportation funding.
- Non-major Governmental Funds have an ending fund balance of \$7,551. This grouping consists primarily of smaller city capital projects funds, school federal and state projects, education debt service, school food services, extended school program, school capital projects, equipment replacement fund, and UDAG.



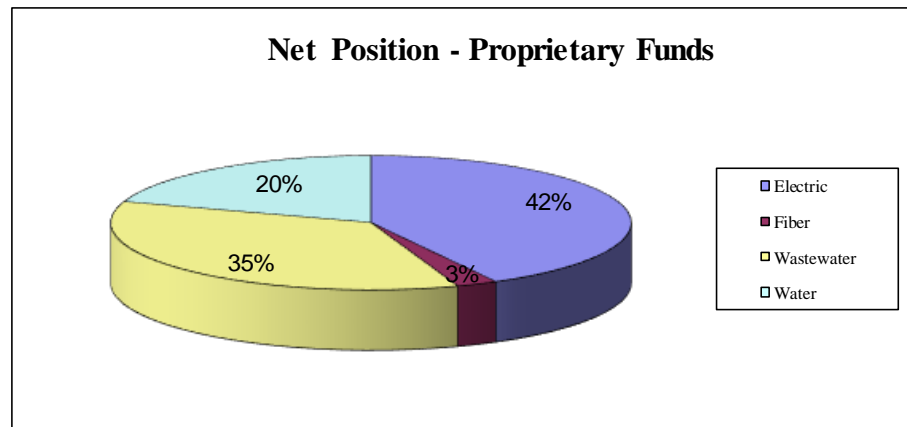
**Proprietary Funds**

The Business-type Activities at the Tullahoma Utilities Board have seen a change in composition due to the addition of a fourth enterprise fund in 2007 for the construction of a fiber optics system which began providing services to Tullahoma residents commencing in October 2008 and has now expanded to serving over 3,400 customers.

- The Electric System provided an increase in net position of \$105 in 2016, due to increased customer base. Accounts receivable increased \$571 (before allowances).

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

- The Wastewater System reflected an increase of \$583, which included a capital contribution of \$95, while the Water System's net position grew by \$325.
- As the Fiber Optics System is still finishing up build out and growing its customer base, their net position improved by \$542 to (\$1,302). The system plans to show positive net position in 2017.



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets from its Governmental and Business-type Activities as of June 30, 2016, is shown as follows. The Government Accounting Standards Board required that infrastructure assets be inventoried and carried on the balance sheet as of 2007. Additional information concerning capital assets can be found in Note 5 of the Notes to the Financial Statements.

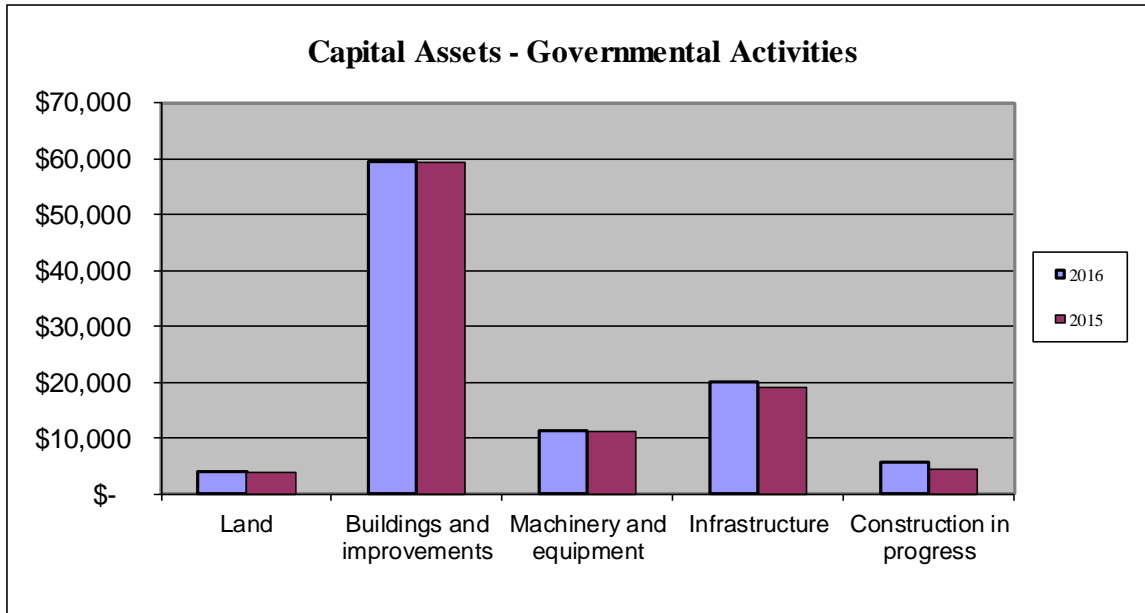
**City of Tullahoma's Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,933	\$ 3,824	\$ 476	\$ 476	\$ 4,409	\$ 4,300
Buildings and improvements	59,471	59,385	16,258	16,435	75,729	75,820
Machinery and equipment	11,385	11,171	5,602	5,546	16,987	16,717
Infrastructure	20,206	19,037	66,329	65,582	86,535	84,619
Construction in progress	5,639	4,521	11,143	10,147	16,782	14,668
Total capital assets	<u>\$ 100,634</u>	<u>\$ 97,938</u>	<u>\$ 99,808</u>	<u>\$ 98,186</u>	<u>\$ 200,442</u>	<u>\$ 196,124</u>

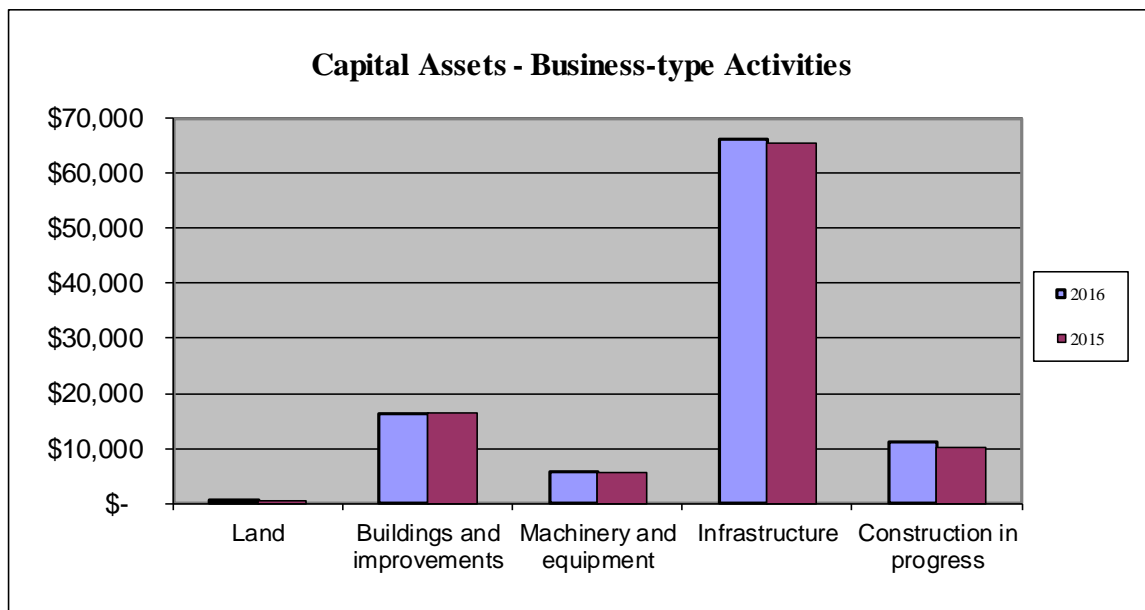


**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
(amounts expressed in thousands)

The total capital assets in the Governmental Activities increased by \$2,696, and is reflected in the construction in progress account. The City renovated the indoor pool at D.W. Wilson Community Center, added a new concession area and converted the old outdoor pool into a water park called "Splash Island." The recreation projects were completed in FY2016. Machinery and equipment increased by \$214 with the addition of new police cars and pick-up trucks.



The total capital assets in the Business-type Activities increased by \$1,622, of which \$996 was an increase in construction in progress for the on-going sewer rehabilitation. Tullahoma Utilities Board received a low interest loan from the State of Tennessee to fund the project.



**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**  
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**Long-Term Debt**

- **Governmental Activities**  
In fiscal year 2016, The City of Tullahoma drew down \$1,424 in construction loan proceeds for recreation projects including the indoor pool and "Splash Island" as well as renovation of the City's historic baseball stadium. This was offset by total City and School debt payments of \$2,673 resulting in an increase in long-term debt of \$1,249, excluding changes in other obligations payable. Other obligations payable include accrued vacation and sick leave and other obligations for both governmental entities.
  
- **Business-type Activities**  
The Tullahoma Utilities Board received approval for a \$5,000 state revolving loan for sewer rehabilitation in FY2014, which they are continuing to utilize for a multi-year sewer rehabilitation project. To encourage the feasibility of the project, the state provided a program with loan forgiveness of up to \$1,000 of the total principal.
  
- **Component Units**  
No direct debt was issued by or on behalf of either the Tullahoma Municipal Airport Authority or the Tullahoma Industrial Development Board in fiscal year 2016. The Tullahoma Municipal Airport Authority does have outstanding loans through the City's UDAG Revolving Loan Program, which are offset by hangar rentals and fuel sales.

**City of Tullahoma's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 6,559	\$ 5,473	\$ 6,204	\$ 7,160	\$ 12,763	\$ 12,633
General obligation bonds	32,285	34,621	13,233	14,104	45,518	48,725
Other obligations payable	6,840	7,358	380	417	7,220	7,775
Total long-term debt	<u>\$ 45,684</u>	<u>\$ 47,452</u>	<u>\$ 19,817</u>	<u>\$ 21,681</u>	<u>\$ 65,501</u>	<u>\$ 69,133</u>

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tullahoma, Finance Department, P. O. Box 807, Tullahoma, TN 37388.



**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 23,129,461	\$ 10,580,043	\$ 33,709,504	\$ 486,819
Investments	113,356	-	113,356	-
Receivables	11,999,241	4,034,542	16,033,783	6,066
Allowance for doubtful accounts	(951,846)	(30,372)	(982,218)	-
Unbilled revenue	-	2,570,347	2,570,347	-
Due from other governments	2,390,203	91,392	2,481,595	228,864
Inventory	-	1,452,628	1,452,628	24,205
Other assets	104,152	1,127,887	1,232,039	14,014
Restricted assets:				
Cash and cash equivalents	-	9,587,707	9,587,707	1,000
Notes receivable	1,348,216	762,624	2,110,840	-
Net pension asset	17,124	-	17,124	-
Capital assets:				
Utility plant in service	-	66,329,073	66,329,073	-
Land	3,932,845	476,080	4,408,925	1,738,799
Buildings and improvements	59,471,268	16,258,269	75,729,537	10,032,327
Furniture, machinery, and equipment	11,385,098	5,601,978	16,987,076	478,725
Construction in progress	5,638,893	11,142,792	16,781,685	2,753,265
Infrastructure	20,206,157	-	20,206,157	-
Accumulated depreciation	(54,155,072)	(52,426,385)	(106,581,457)	(4,187,443)
<b>Total assets</b>	<b>84,629,096</b>	<b>77,558,605</b>	<b>162,187,701</b>	<b>11,576,641</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred charges on refunding	280,061	-	280,061	-
Deferred outflows related to pension	5,673,987	-	5,673,987	5,645
<b>Total deferred outflows of resources</b>	<b>5,954,048</b>	<b>-</b>	<b>5,954,048</b>	<b>5,645</b>
<b>LIABILITIES:</b>				
Accounts payable	1,078,521	5,817,599	6,896,120	136,188
Accrued liabilities	1,289,897	608,536	1,898,433	-
Accrued interest payable	177,925	-	177,925	-
Other liabilities	-	2,041,869	2,041,869	15,712
TVA advances	-	332,026	332,026	-
Liabilities payable from restricted assets:				
Accrued interest	-	283,491	283,491	-
Contracts and retainage	-	74,868	74,868	28,186
Noncurrent liabilities:				
Due within one year	2,865,500	1,686,701	4,552,201	38,894
Due in more than one year	42,818,700	18,130,715	60,949,415	114,890
<b>Total liabilities</b>	<b>48,230,543</b>	<b>28,975,805</b>	<b>77,206,348</b>	<b>333,870</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unearned revenue	10,336,846	-	10,336,846	13,991
Deferred inflows related to pension	6,090,232	-	6,090,232	-
<b>Total deferred inflows of resources</b>	<b>16,427,078</b>	<b>-</b>	<b>16,427,078</b>	<b>13,991</b>
<b>NET POSITION:</b>				
Net investment in capital assets	7,778,998	27,944,063	35,723,061	10,685,554
Restricted:				
Restricted for debt service	3,695,414	980,250	4,675,664	-
Restricted for construction	1,579,247	8,249,098	9,828,345	-
Restricted for equipment replacement	564,236	-	564,236	-
Restricted for drug enforcement	96,630	-	96,630	-
Restricted for UDAG and USDA loans	2,008,653	-	2,008,653	-
Restricted for school operations	3,808,689	-	3,808,689	-
Restricted for net pension asset	17,124	-	17,124	-
Restricted - other	429,203	-	429,203	1,000
Unrestricted	5,947,329	11,409,389	17,356,718	547,871
<b>Total net position</b>	<b>\$ 25,925,523</b>	<b>\$ 48,582,800</b>	<b>\$ 74,508,323</b>	<b>\$ 11,234,425</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 4,583,446	\$ 2,996,502	\$ 3,613,768	\$ -	\$ 2,026,824	\$ -	\$ 2,026,824	\$ -
Public safety:								
Police	2,999,082	26,176	-	-	(2,972,906)	-	(2,972,906)	-
Fire	2,423,025	-	-	-	(2,423,025)	-	(2,423,025)	-
Public works	4,648,946	-	-	-	(4,648,946)	-	(4,648,946)	-
Community services	570,031	-	-	-	(570,031)	-	(570,031)	-
Waste management	2,027,969	904,916	-	-	(1,123,053)	-	(1,123,053)	-
Education	32,127,426	1,144,680	25,904,011	-	(5,078,735)	-	(5,078,735)	-
Interest and other debt related costs	938,576	-	-	-	(938,576)	-	(938,576)	-
Total governmental activities	50,318,501	5,072,274	29,517,779	-	(15,728,448)	-	(15,728,448)	-
Business-type activities:								
Electric System	27,988,069	28,551,196	-	-	-	563,127	563,127	-
Fiber Optics System	6,195,805	6,730,024	-	-	-	534,219	534,219	-
Wastewater System	3,536,821	3,918,651	-	95,197	-	477,027	477,027	-
Water System	3,423,842	3,596,255	-	-	-	172,413	172,413	-
Total business-type activities	41,144,537	42,796,126	-	95,197	-	1,746,786	1,746,786	-
Total primary government	\$ 91,463,038	\$ 47,868,400	\$ 29,517,779	\$ 95,197	(15,728,448)	1,746,786	(13,981,662)	-
Component units:								
Industrial Development Board	\$ 95,630	\$ 41,204	\$ 60,000	\$ -	-	-	-	5,574
Area Economic Development Corporation	217,383	-	259,140	-	-	-	-	41,757
Municipal Airport Authority	1,321,150	99,074	1,575,217	12,000	-	-	-	365,141
Total component units	1,634,163	140,278	1,894,357	12,000	-	-	-	412,472
General revenues:								
Taxes:								
Property					10,684,045	-	10,684,045	-
Sales					9,640,761	-	9,640,761	-
Wholesale beer					561,892	-	561,892	-
Wholesale liquor					216,397	-	216,397	-
Business					475,388	-	475,388	-
Cable tv franchise					244,100	-	244,100	-
Hotel/Motel					251,876	-	251,876	-
Sale of fuel and oil					-	-	-	733,825
Other revenues					422,852	151,323	574,175	5,729
Unrestricted investment earnings					78,402	48,451	126,853	489
Gain on sale of property					13,499	-	13,499	-
Transfers					391,184	(391,184)	-	-
Total general revenues and transfers					22,980,396	(191,410)	22,788,986	740,043
Change in net position					7,251,948	1,555,376	8,807,324	1,152,515
Net position, beginning, as previously presented					18,713,439	47,027,424	65,740,863	10,081,910
Adjustment to restate beginning net position (See Note 2)					(39,864)	-	(39,864)	-
Net position, beginning, as restated					18,673,575	47,027,424	65,700,999	10,081,910
Net position, ending					\$ 25,925,523	\$ 48,582,800	\$ 74,508,323	\$ 11,234,425

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	General	General Purpose School	General Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 6,841,461	\$ 8,892,847	\$ 222,368	\$ 6,812,617	\$ 22,769,293
Investments	-	-	-	113,356	113,356
Receivables	11,898,970	-	-	84,018	11,982,988
Allowance for doubtful accounts	(933,070)	-	-	(18,776)	(951,846)
Due from other governments	1,195,591	302,111	-	892,501	2,390,203
Due from other funds	-	700,814	9,607	157,047	867,468
Prepaid expenses	47,993	35,000	2,161	150	85,304
Notes receivable	-	-	-	1,348,216	1,348,216
Total assets	<u>\$ 19,050,945</u>	<u>\$ 9,930,772</u>	<u>\$ 234,136</u>	<u>\$ 9,389,129</u>	<u>\$ 38,604,982</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 227,459	\$ 660,997	\$ 6,230	\$ 116,646	\$ 1,011,332
Accrued liabilities	101,079	-	-	32,750	133,829
Accrued payroll	198,095	895,477	-	62,496	1,156,068
Due to other funds	589,861	-	-	277,607	867,468
Total liabilities	<u>1,116,494</u>	<u>1,556,474</u>	<u>6,230</u>	<u>489,499</u>	<u>3,168,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	10,320,976	-	-	-	10,320,976
Unavailable revenue - other revenue	15,870	-	-	-	15,870
Unavailable revenue - loans	-	-	-	1,348,216	1,348,216
Total deferred inflows of resources	<u>10,336,846</u>	<u>-</u>	<u>-</u>	<u>1,348,216</u>	<u>11,685,062</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid items	47,993	35,000	-	150	83,143
Restricted for:					
Capital improvements	-	-	-	1,517,103	1,517,103
Debt service	-	-	227,906	3,467,508	3,695,414
Drug enforcement	437	-	-	96,193	96,630
Grant projects	-	-	-	790,800	790,800
School operations	-	7,889,003	-	675,915	8,564,918
Solid waste	-	-	-	241,478	241,478
Extended school	-	-	-	198,031	198,031
Equipment replacement	-	-	-	564,236	564,236
Other projects	187,575	-	-	-	187,575
Committed to:					
Stabilization fund	1,295,162	-	-	-	1,295,162
Assigned	23,069	450,295	-	-	473,364
Unassigned	6,043,369	-	-	-	6,043,369
Total fund balances	<u>7,597,605</u>	<u>8,374,298</u>	<u>227,906</u>	<u>7,551,414</u>	<u>23,751,223</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,050,945</u>	<u>\$ 9,930,772</u>	<u>\$ 234,136</u>	<u>\$ 9,389,129</u>	<u>\$ 38,604,982</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

Fund balances - total governmental funds	\$ 23,751,223
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Amounts reported for governmental activities in the Statement of Net Position are different from amounts reported for governmental funds in the Balance Sheet because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in governmental funds.

Capital assets	100,634,261
Less accumulated depreciation	(54,155,072)

Net pension assets are not current financial resources; therefore, they are not reported in the governmental funds.	17,124
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Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds.

Bonds payable	(32,285,000)
Less deferred charge on refunding	280,061
Less deferred charge for issuance costs	18,848
Add bond premium	(154,600)
Accrued interest payable	(177,925)
Notes payable	(6,559,500)
Net pension obligation	(3,898,866)
OPEB obligation	(1,512,675)
Compensated absences	(1,273,559)

An internal service fund is used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	309,232
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Principal payments on notes receivable are revenues for governmental funds; therefore, they are reported as unearned revenues until they are received.	1,348,216
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expenses in future years.

Deferred outflows of resources related to pensions	5,673,987
Deferred inflows of resources related to pensions	<u>(6,090,232)</u>

Net position - total governmental activities	<u><u>\$ 25,925,523</u></u>
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The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General	General Purpose School	General Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 10,684,045	\$ -	\$ -	\$ -	\$ 10,684,045
Sales taxes	9,640,761	-	-	-	9,640,761
Other taxes	1,670,626	-	-	-	1,670,626
Payment in lieu of tax	79,027	-	-	-	79,027
Licenses and permits	89,499	-	-	-	89,499
Fines and forfeitures	327,496	-	-	-	327,496
Intergovernmental	2,833,311	6,346,633	-	354,375	9,534,319
Grants	28,698	15,331,295	-	4,623,467	19,983,460
Charges for services	417,014	283,651	-	1,765,945	2,466,610
Investment income	24,599	18,035	237	34,897	77,768
Note repayments	-	-	-	307,536	307,536
Sale of property	-	-	-	14,589	14,589
Other revenues	273,409	98,828	-	60,500	432,737
Total revenues	26,068,485	22,078,442	237	7,161,309	55,308,473
EXPENDITURES:					
Current:					
General government	1,260,289	-	-	-	1,260,289
Planning	251,299	-	-	-	251,299
Public safety:					
Police protection	2,909,507	-	-	-	2,909,507
Fire protection	2,366,532	-	-	-	2,366,532
Public works	2,466,897	-	-	-	2,466,897
Parks and recreation	1,777,739	-	-	-	1,777,739
Community services	548,111	-	-	-	548,111
Education:					
Administration	-	3,258,330	-	-	3,258,330
Regular education	-	15,109,943	-	880,007	15,989,950
Special education	-	3,392,047	-	1,274,369	4,666,416
Vocational education	-	900,021	-	-	900,021
Attendance	-	275,349	-	-	275,349
Health services	-	267,825	-	-	267,825
Other student support	-	632,170	-	11,724	643,894
Instructional staff	-	493,177	-	1,691	494,868
Plant operations	-	2,405,214	-	-	2,405,214
Plant maintenance	-	962,766	-	-	962,766
Transportation	-	106,883	-	-	106,883
Community services	-	6,889	-	-	6,889
Program costs	-	-	-	4,510,580	4,510,580
Debt service:					
Principal retirement	-	-	7,258,000	-	7,258,000
Interest	-	-	984,148	-	984,148
Fiscal charges	-	-	29,235	-	29,235
Capital outlay	70,791	732,294	-	2,923,243	3,726,328
Loans disbursed	-	-	-	183,500	183,500
Total expenditures	11,651,165	28,542,908	8,271,383	9,785,114	58,250,570
Excess (deficiency) of revenues over (under) expenditures	14,417,320	(6,464,466)	(8,271,146)	(2,623,805)	(2,942,097)
OTHER FINANCING SOURCES (USES):					
Issuance of refunding bonds	-	-	4,585,000	-	4,585,000
Issuance of notes	-	-	-	1,423,878	1,423,878
Reoffering premium	-	-	-	-	-
Transfers in	533,886	8,627,424	3,678,147	4,322,591	17,162,048
Transfers out	(14,252,079)	-	-	(2,518,785)	(16,770,864)
Total other financing sources (uses)	(13,718,193)	8,627,424	8,263,147	3,227,684	6,400,062
Net change in fund balances	699,127	2,162,958	(7,999)	603,879	3,457,965
Fund balances, July 1, 2015, as previously presented	6,919,478	6,211,340	235,905	6,924,832	20,291,555
Prior period adjustment (See Note 2)	(21,000)	-	-	22,703	1,703
Fund balances, July 1, 2015, as restated	6,898,478	6,211,340	235,905	6,947,535	20,293,258
Fund balances, June 30, 2016	\$ 7,597,605	\$ 8,374,298	\$ 227,906	\$ 7,551,414	\$ 23,751,223

The accompanying notes are an integral part of this financial statement.



**CITY OF TULLAHOMA, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**JUNE 30, 2016**

Net change in fund balances - governmental funds \$ 3,457,965

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays which include principal and interest payments on capital leases as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.

Acquisition of capital assets	2,975,016
Depreciation expense	(2,474,326)

The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs in the change in fund balances by the net book value of the capital assets sold. (1,090)

Bond and note proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of principal on bonds and notes payable is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities. Governmental funds include interest paid in debt service expenditures, whereas interest is accrued and expensed as it becomes payable for governmental activities.

Bond and note issuance:	
Notes	(6,008,878)
Bond and note principal repayments:	
To bonds and notes holder	7,258,000
Amortization of insurance costs	(17,145)
Amortization of deferred charges	(26,673)
Amortization of premium	87,515
Decrease in accrued interest expense	31,110
Loans disbursed	183,500
Principal received on notes receivable	(307,536)

An internal service fund is used by management to charge the costs of the employee health insurance program. The net revenue of the internal service fund is included in governmental activities. 171,797

Some expenses reported for governmental activities do not require the use of current financial resources; therefore, they are not reported as expenditures for governmental funds. Compensated absences are an expenditure when they are paid in the governmental funds, but are accrued and expended when they are incurred for governmental activities.

Increase in OPEB obligation	(307,047)
Increase in compensated absences	(157,086)
Pension expense	<u>2,386,826</u>

Change in net position - governmental activities	<u><u>\$ 7,251,948</u></u>
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The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Taxes:						
Property	\$ 10,684,045	\$ -	\$ 10,684,045	\$ 10,590,306	\$ 10,634,306	\$ 49,739
Sales	9,640,761	-	9,640,761	9,072,491	9,622,491	18,270
Wholesale beer	561,892	-	561,892	510,031	555,031	6,861
Wholesale liquor	216,397	-	216,397	189,052	204,052	12,345
Business	396,361	-	396,361	290,937	380,937	15,424
Cable tv franchise	244,100	-	244,100	199,462	199,462	44,638
Hotel/motel	251,876	-	251,876	233,455	251,876	-
Total taxes	21,995,432	-	21,995,432	21,085,734	21,848,155	147,277
Payment in lieu of taxes	79,027	-	79,027	80,114	80,114	(1,087)
Licenses and permits	89,499	-	89,499	68,360	78,360	11,139
Fines and forfeitures	327,496	-	327,496	316,214	330,214	(2,718)
Intergovernmental:						
State of Tennessee sales tax	1,500,985	-	1,500,985	1,408,452	1,500,395	590
State of Tennessee gas tax	511,267	-	511,267	489,693	489,693	21,574
State of Tennessee income tax	275,253	-	275,253	223,600	273,600	1,653
TVA gross receipts	219,591	-	219,591	213,599	214,599	4,992
Mixed drink tax	97,055	-	97,055	73,736	84,736	12,319
Excise tax	113,001	-	113,001	81,512	107,512	5,489
Streets and transportation	37,953	-	37,953	38,242	38,242	(289)
State street contracts	29,731	-	29,731	5,500	9,500	20,231
Supplemental pay	37,800	-	37,800	-	37,800	-
State of Tennessee beer tax	9,109	-	9,109	9,328	9,328	(219)
Telecommunications tax	1,566	-	1,566	2,364	2,364	(798)
Total intergovernmental	2,833,311	-	2,833,311	2,546,026	2,767,769	65,542
State and federal grants	28,698	-	28,698	18,384	41,034	(12,336)
Charges for services	417,014	-	417,014	436,012	417,820	(806)
Investment income	24,599	-	24,599	35,000	30,000	(5,401)
Other revenues	273,409	-	273,409	221,550	206,708	66,701
Total revenues	26,068,485	-	26,068,485	24,807,394	25,800,174	268,311

(continued)

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>EXPENDITURES:</b>						
General government:						
Legislative and judicial:						
Current:						
Salaries	\$ 37,651	\$ -	\$ 37,651	\$ 37,614	\$ 37,651	\$ -
Payroll Taxes	2,880	-	2,880	2,878	2,881	1
Benefits	43,759	-	43,759	83,005	46,147	2,388
Contract and professional	94,200	-	94,200	111,025	110,275	16,075
Travel and training	7,273	-	7,273	4,635	11,635	4,362
Supplies	35	-	35	1,425	1,425	1,390
Telephone and utilities	8,834	-	8,834	9,500	9,500	666
Operating insurance	12,271	-	12,271	10,944	12,744	473
Other	36,391	-	36,391	31,095	38,824	2,433
Appropriations	-	-	-	1,360	1,360	1,360
Total legislative and judicial	243,294	-	243,294	293,481	272,442	29,148
Court system:						
Current:						
Salaries	19,652	-	19,652	21,450	21,745	2,093
Payroll taxes	2,614	-	2,614	2,812	2,891	277
Benefits	4,501	-	4,501	5,220	4,920	419
Contract and professional	14,000	-	14,000	14,000	14,000	-
Repairs and maintenance	2,080	-	2,080	1,800	2,080	-
Travel and training	94	-	94	375	375	281
Supplies	439	-	439	440	440	1
Operating insurance	449	-	449	580	580	131
Other	290	-	290	500	500	210
Total court system	44,119	-	44,119	47,177	47,531	3,412
City administrator:						
Current:						
Salaries	141,760	-	141,760	140,367	142,440	680
Payroll taxes	10,696	-	10,696	10,848	10,977	281
Benefits	40,422	-	40,422	42,366	41,864	1,442
Repairs and maintenance	219	-	219	974	974	755
Travel and training	2,356	-	2,356	3,150	3,650	1,294
Supplies	140	-	140	250	250	110
Gas and oil	294	-	294	704	439	145
Operating insurance	2,190	-	2,190	2,983	2,558	368
Other	1,071	-	1,071	1,325	1,325	254
Total city administrator	199,148	-	199,148	202,967	204,477	5,329
Finance director:						
Current:						
Salaries	192,143	-	192,143	203,717	199,900	7,757
Payroll taxes	14,410	-	14,410	15,884	16,230	1,820
Benefits	48,180	-	48,180	49,099	49,099	919
Telephone and utilities	14,481	-	14,481	17,500	17,500	3,019
Contract and professional	3,112	-	3,112	2,000	4,300	1,188
Repairs and maintenance	8,800	-	8,800	7,500	8,800	-
Travel and training	2,619	-	2,619	3,000	3,500	881
Supplies	1,361	-	1,361	1,400	1,925	564
Operating insurance	2,858	-	2,858	3,400	2,920	62
Other	5,354	-	5,354	7,400	7,275	1,921
Total finance director	293,318	-	293,318	310,900	311,449	18,131

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
City recorder:						
Current:						
Salaries	\$ 101,072	\$ -	\$ 101,072	\$ 99,491	\$ 104,634	\$ 3,562
Payroll taxes	7,250	-	7,250	7,746	7,746	496
Benefits	38,315	-	38,315	35,261	38,616	301
Repairs and maintenance	6,880	-	6,880	5,950	6,880	-
Travel and training	1,386	-	1,386	2,251	2,251	865
Supplies	17,569	-	17,569	15,821	19,021	1,452
Operating insurance	1,260	-	1,260	1,794	1,354	94
Other	25,100	-	25,100	26,371	26,101	1,001
Total city recorder	198,832	-	198,832	197,985	206,603	7,771
Human resources:						
Current:						
Salaries	93,092	-	93,092	90,744	94,717	1,625
Payroll taxes	6,848	-	6,848	7,050	7,325	477
Benefits	22,843	-	22,843	27,264	26,264	3,421
Telephone and utilities	442	-	442	550	550	108
Contract and professional	3,098	(800)	2,298	5,000	3,250	952
Travel and training	4,459	-	4,459	4,000	5,000	541
Supplies	1,358	-	1,358	530	2,000	642
Operating insurance	1,200	-	1,200	1,539	1,200	-
Other	6,679	(1,108)	5,571	9,905	12,130	6,559
Total human resources	140,019	(1,908)	138,111	146,582	152,436	14,325
Community development:						
Current:						
Salaries	50,510	-	50,510	49,507	50,811	301
Payroll taxes	3,614	-	3,614	3,841	3,900	286
Benefits	19,005	-	19,005	17,639	19,246	241
Telephone and utilities	601	-	601	610	610	9
Travel and training	2,939	-	2,939	1,000	3,500	561
Supplies	44	-	44	1,050	100	56
Operating insurance	741	-	741	896	746	5
Other	17,345	-	17,345	9,900	21,850	4,505
Total community development	94,799	-	94,799	84,443	100,763	5,964
Planning:						
Current:						
Salaries	151,825	-	151,825	149,288	153,639	1,814
Payroll taxes	11,251	-	11,251	11,637	11,794	543
Benefits	42,567	-	42,567	56,551	43,451	884
Contract and professional	3,908	-	3,908	5,500	5,100	1,192
Telephone and utilities	5,043	-	5,043	7,800	6,600	1,557
Repairs and maintenance	8,842	(4,280)	4,562	5,740	6,008	1,446
Travel and training	2,981	(189)	2,792	5,000	3,800	1,008
Supplies	3,477	(835)	2,642	2,500	4,450	1,808
Uniforms	120	-	120	1,000	550	430
Gas and oil	1,126	-	1,126	1,700	1,500	374
Operating insurance	6,548	-	6,548	9,755	6,690	142
Other	13,611	-	13,611	8,940	15,772	2,161
Total planning	251,299	(5,304)	245,995	265,411	259,354	13,359

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
Municipal building:						
Current:						
Telephone and utilities	\$ 21,461	\$ -	\$ 21,461	\$ 32,276	\$ 24,276	\$ 2,815
Rent	2,734	-	2,734	1,632	2,759	25
Repairs and maintenance	6,915	-	6,915	20,500	9,373	2,458
Operating insurance	15,650	-	15,650	16,106	16,106	456
Total municipal building	46,760	-	46,760	70,514	52,514	5,754
Total current	1,511,588	(7,212)	1,504,376	1,619,460	1,607,569	103,193
Capital outlay	8,909	-	8,909	8,800	8,910	1
Total general government	1,520,497	(7,212)	1,513,285	1,628,260	1,616,479	103,194
Public safety:						
Police:						
Current:						
Salaries	1,807,072	-	1,807,072	1,791,994	1,820,270	13,198
Payroll taxes	132,705	-	132,705	139,697	137,127	4,422
Benefits	623,604	-	623,604	646,298	627,988	4,384
Contract and professional	1,043	-	1,043	-	1,162	119
Telephone and utilities	14,089	-	14,089	19,745	17,245	3,156
Repairs and maintenance	78,633	-	78,633	80,399	86,249	7,616
Travel and training	19,102	-	19,102	14,050	20,295	1,193
Supplies	18,309	-	18,309	29,843	24,259	5,950
Uniforms	13,113	(846)	12,267	17,400	16,400	4,133
Gas and oil	61,804	-	61,804	106,897	67,937	6,133
Operating insurance	120,490	-	120,490	133,233	122,953	2,463
Other	19,543	(600)	18,943	21,923	22,323	3,380
Total current	2,909,507	(1,446)	2,908,061	3,001,479	2,964,208	56,147
Capital outlay	43,519	-	43,519	33,200	43,587	68
Total police	2,953,026	(1,446)	2,951,580	3,034,679	3,007,795	56,215
Fire:						
Current:						
Salaries	1,492,043	-	1,492,043	1,448,268	1,505,283	13,240
Payroll taxes	109,597	-	109,597	113,006	113,686	4,089
Benefits	481,906	-	481,906	479,262	485,180	3,274
Telephone and utilities	29,824	-	29,824	37,599	32,899	3,075
Repairs and maintenance	75,440	-	75,440	67,528	82,298	6,858
Travel and training	15,987	-	15,987	14,325	16,405	418
Supplies	30,830	(685)	30,145	31,752	31,682	1,537
Uniforms	15,555	-	15,555	21,403	18,823	3,268
Gas and oil	11,962	-	11,962	20,567	13,567	1,605
Operating insurance	95,269	-	95,269	122,224	95,644	375
Other	8,119	-	8,119	8,600	8,600	481
Total current	2,366,532	(685)	2,365,847	2,364,534	2,404,067	38,220
Capital outlay	-	9,799	9,799	-	10,000	201
Total fire	2,366,532	9,114	2,375,646	2,364,534	2,414,067	38,421
Total public safety	5,319,558	7,668	5,327,226	5,399,213	5,421,862	94,636

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>EXPENDITURES (continued):</b>						
Public works:						
Current:						
Salaries	\$ 879,648	\$ -	\$ 879,648	\$ 888,668	\$ 890,489	\$ 10,841
Payroll taxes	64,697	-	64,697	69,359	67,665	2,968
Benefits	322,595	-	322,595	315,153	325,383	2,788
Telephone and utilities	40,162	-	40,162	49,697	47,097	6,935
Street lights	418,703	-	418,703	427,500	425,500	6,797
State street aid expenditures	241,023	594	241,617	250,000	250,000	8,383
Contract and professional	90,770	4,100	94,870	85,930	102,280	7,410
Repairs and maintenance	170,084	-	170,084	144,745	183,145	13,061
Shop labor reimbursement	(71,863)	-	(71,863)	(81,000)	(72,000)	(137)
Travel and training	683	-	683	3,400	1,275	592
Supplies	36,910	1,221	38,131	35,779	43,200	5,069
Uniforms	5,796	-	5,796	8,680	7,516	1,720
Gas and oil	93,098	-	93,098	182,484	102,422	9,324
Parts and supplies	32,006	(554)	31,452	48,000	38,000	6,548
Materials	53,176	1,500	54,676	80,075	66,374	11,698
Operating insurance	82,933	-	82,933	85,010	87,608	4,675
Other	6,476	-	6,476	6,714	9,873	3,397
Total current	2,466,897	6,861	2,473,758	2,600,194	2,575,827	102,069
Capital outlay	5,920	-	5,920	-	4,495	(1,425)
Total public works	2,472,817	6,861	2,479,678	2,600,194	2,580,322	100,644
Parks and recreation:						
Current:						
Salaries	868,207	-	868,207	860,054	890,892	22,685
Payroll taxes	66,683	-	66,683	66,124	71,249	4,566
Benefits	173,293	-	173,293	179,585	176,888	3,595
Telephone and utilities	192,917	-	192,917	229,969	212,519	19,602
Street lights	9,317	-	9,317	15,662	13,662	4,345
Contract and professional	92,253	-	92,253	73,315	97,315	5,062
Repairs and maintenance	126,109	(403)	125,706	118,630	134,371	8,665
Travel and training	7,045	-	7,045	10,000	9,793	2,748
Supplies	117,358	(90)	117,268	100,933	130,004	12,736
Uniforms	4,938	-	4,938	5,050	6,750	1,812
Gas and oil	9,886	-	9,886	13,306	12,270	2,384
Operating insurance	81,142	-	81,142	102,999	83,224	2,082
Other	28,591	-	28,591	39,465	32,288	3,697
Total current	1,777,739	(493)	1,777,246	1,815,092	1,871,225	93,979
Capital outlay	12,443	-	12,443	-	12,639	196
Total parks and recreation	1,790,182	(493)	1,789,689	1,815,092	1,883,864	94,175

(continued)

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Community services:						
Current:						
Telephone and utilities	\$ 28,146	\$ -	\$ 28,146	\$ 32,496	\$ 34,996	\$ 6,850
Repairs and maintenance	231	-	231	-	400	169
Operating insurance	11,298	-	11,298	10,714	11,564	266
Other	1,704	-	1,704	4,168	4,168	2,464
Appropriations	506,732	3,176	509,908	465,256	518,573	8,665
Total current	548,111	3,176	551,287	512,634	569,701	18,414
Total community services	548,111	3,176	551,287	512,634	569,701	18,414
 Total expenditures	 11,651,165	 10,000	 11,661,165	 11,955,393	 12,072,228	 411,063
 Excess revenues over (under) expenditures	 14,417,320	 (10,000)	 14,407,320	 12,852,001	 13,727,946	 679,374
OTHER FINANCING SOURCES (USES):						
Transfers in	533,886	-	533,886	562,386	533,886	-
Transfers out	(14,252,079)	-	(14,252,079)	(13,414,391)	(14,261,830)	9,751
Total other financing sources (uses)	(13,718,193)	-	(13,718,193)	(12,852,005)	(13,727,944)	9,751
 Net change in fund balance	 699,127	 (10,000)	 689,127	 (4)	 2	 689,125
 Fund balance, July 1, 2015, as previously presented	 6,919,478	 (13,069)	 6,906,409	 6,919,478	 6,919,478	 (13,069)
 Prior period adjustment (See Note 2)	 (21,000)	 -	 (21,000)	 -	 -	 (21,000)
 Fund balance, July 1, 2015, as restated	 6,898,478	 (13,069)	 6,885,409	 6,919,478	 6,919,478	 (34,069)
 Fund balance, June 30, 2016	 <u>\$ 7,597,605</u>	 <u>\$ (23,069)</u>	 <u>\$ 7,574,536</u>	 <u>\$ 6,919,474</u>	 <u>\$ 6,919,480</u>	 <u>\$ 655,056</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL PURPOSE SCHOOL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Intergovernmental:						
Local shared taxes	\$ 6,346,633	\$ -	\$ 6,346,633	\$ 6,090,387	\$ 6,090,387	\$ 256,246
Federal and state	15,331,295	-	15,331,295	15,253,943	15,253,943	77,352
Charges for services	283,651	-	283,651	222,000	222,000	61,651
Interest income	18,035	-	18,035	10,000	10,000	8,035
Other	98,828	-	98,828	20,000	20,000	78,828
Total revenues	22,078,442	-	22,078,442	21,596,330	21,596,330	482,112
<b>EXPENDITURES:</b>						
Current:						
Administration:						
Salaries	1,354,738	-	1,354,738	1,365,079	1,365,079	10,341
Payroll taxes	94,565	-	94,565	104,429	104,429	9,864
Benefits	1,151,249	-	1,151,249	1,391,734	1,391,734	240,485
Contract services	203,967	-	203,967	283,000	283,000	79,033
Travel	37,674	-	37,674	15,000	15,000	(22,674)
Supplies	28,076	-	28,076	31,700	31,700	3,624
Other	81,532	-	81,532	138,400	138,400	56,868
Insurance	306,529	-	306,529	315,800	315,800	9,271
Total administration	3,258,330	-	3,258,330	3,645,142	3,645,142	386,812
Regular education:						
Salaries	10,905,098	-	10,905,098	11,065,252	11,065,252	160,154
Payroll taxes	784,428	-	784,428	859,794	859,794	75,366
Benefits	2,634,649	-	2,634,649	2,803,067	2,803,067	168,418
Travel	43,741	-	43,741	25,000	25,000	(18,741)
Supplies	284,614	-	284,614	263,896	263,896	(20,718)
Books	399,773	-	399,773	280,000	280,000	(119,773)
Other	57,640	-	57,640	2,640	2,640	(55,000)
Total regular education	15,109,943	-	15,109,943	15,299,649	15,299,649	189,706
Special education:						
Salaries	2,285,281	-	2,285,281	2,408,837	2,408,837	123,556
Payroll taxes	168,316	-	168,316	172,801	172,801	4,485
Benefits	587,739	-	587,739	582,072	582,072	(5,667)
Contract services	200,648	-	200,648	190,000	190,000	(10,648)
Travel	24,232	-	24,232	12,000	12,000	(12,232)
Supplies	55,548	-	55,548	49,215	49,215	(6,333)
Other	70,283	-	70,283	51,300	51,300	(18,983)
Total special education	3,392,047	-	3,392,047	3,466,225	3,466,225	74,178
Vocational education:						
Salaries	666,491	-	666,491	689,181	689,181	22,690
Payroll taxes	48,975	-	48,975	41,247	41,247	(7,728)
Benefits	159,366	-	159,366	154,123	154,123	(5,243)
Travel	5,000	-	5,000	5,000	5,000	-
Supplies	15,189	-	15,189	15,000	15,000	(189)
Other	5,000	-	5,000	5,000	5,000	-
Total vocational education	900,021	-	900,021	909,551	909,551	9,530
Attendance:						
Salaries	208,916	-	208,916	210,528	210,528	1,612
Payroll taxes	15,414	-	15,414	16,106	16,106	692
Benefits	35,068	-	35,068	42,471	42,471	7,403
Travel	9,748	-	9,748	4,500	4,500	(5,248)
Other	6,203	-	6,203	4,000	4,000	(2,203)
Total attendance	275,349	-	275,349	277,605	277,605	2,256

(continued)

The accompanying notes are an integral part of this financial statement.



**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL PURPOSE SCHOOL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Current:						
Health services:						
Salaries	\$ 185,339	\$ -	\$ 185,339	\$ 197,823	\$ 197,823	\$ 12,484
Payroll taxes	13,300	-	13,300	10,543	10,543	(2,757)
Benefits	35,965	-	35,965	43,320	43,320	7,355
Supplies	33,221	-	33,221	30,000	30,000	(3,221)
Total health services	267,825	-	267,825	281,686	281,686	13,861
Other student support:						
Salaries	476,887	-	476,887	515,573	515,573	38,686
Payroll taxes	34,732	-	34,732	39,441	39,441	4,709
Benefits	111,598	-	111,598	133,466	133,466	21,868
Other	8,953	-	8,953	15,000	15,000	6,047
Total other student support	632,170	-	632,170	703,480	703,480	71,310
Instructional staff:						
Salaries	346,379	-	346,379	352,619	352,619	6,240
Payroll taxes	25,219	-	25,219	26,975	26,975	1,756
Benefits	72,194	-	72,194	86,420	86,420	14,226
Contract services	-	-	-	1,000	1,000	1,000
Books	48,497	-	48,497	50,000	50,000	1,503
Other	888	-	888	1,500	1,500	612
Total instructional staff	493,177	-	493,177	518,514	518,514	25,337
Plant operations:						
Salaries	593,712	-	593,712	616,598	616,598	22,886
Payroll taxes	42,439	-	42,439	47,170	47,170	4,731
Benefits	148,865	-	148,865	173,818	173,818	24,953
Contract services	412,989	-	412,989	475,000	475,000	62,011
Supplies	112,465	-	112,465	150,000	150,000	37,535
Utilities	1,021,810	-	1,021,810	1,295,000	1,295,000	273,190
Insurance	72,934	-	72,934	70,918	70,918	(2,016)
Total plant operations	2,405,214	-	2,405,214	2,828,504	2,828,504	423,290
Plant maintenance:						
Salaries	437,956	-	437,956	440,583	440,583	2,627
Payroll taxes	31,601	-	31,601	33,705	33,705	2,104
Benefits	77,219	-	77,219	89,311	89,311	12,092
Maintenance and repairs	415,990	-	415,990	400,000	400,000	(15,990)
Other	-	-	-	4,000	4,000	4,000
Total plant maintenance	962,766	-	962,766	967,599	967,599	4,833
Transportation:						
Salaries	48,669	-	48,669	54,568	54,568	5,899
Payroll taxes	3,618	-	3,618	4,174	4,174	556
Benefits	2,593	-	2,593	3,308	3,308	715
Maintenance and repairs	19,014	-	19,014	30,000	30,000	10,986
Other	22,815	-	22,815	30,000	30,000	7,185
Insurance	10,174	-	10,174	10,000	10,000	(174)
Total transportation	106,883	-	106,883	132,050	132,050	25,167

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL PURPOSE SCHOOL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Community services:						
Payroll taxes	\$ (144)	\$ -	\$ (144)	\$ -	\$ -	\$ 144
Benefits	33	-	33	-	-	(33)
Other	7,000	-	7,000	7,000	7,000	-
Total community services	6,889	-	6,889	7,000	7,000	111
Capital outlay	732,294	163,559	895,853	963,662	963,662	67,809
Total expenditures	28,542,908	163,559	28,706,467	30,000,667	30,000,667	1,294,200
Excess revenues over (under) expenditures	(6,464,466)	(163,559)	(6,628,025)	(8,404,337)	(8,404,337)	1,776,312
OTHER FINANCING SOURCES (USES):						
Transfer from the City of Tullahoma	8,627,424	-	8,627,424	801,896	8,091,896	535,528
Transfer to other funds	-	-	-	-	-	-
Total other financing sources (uses)	8,627,424	-	8,627,424	801,896	8,091,896	535,528
Net change in fund balance	2,162,958	(163,559)	1,999,399	(7,602,441)	(312,441)	2,311,840
Fund balance, July 1, 2015	6,211,340	-	6,211,340	6,211,340	6,211,340	-
Fund balance, June 30, 2016	<u>\$ 8,374,298</u>	<u>\$ (163,559)</u>	<u>\$ 8,210,739</u>	<u>\$ (1,391,101)</u>	<u>\$ 5,898,899</u>	<u>\$ 2,311,840</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Wastewater System	Water System	Total Enterprise Funds	
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 5,188,207	\$ 1,773,376	\$ 910,646	\$ 2,707,814	\$ 10,580,043	\$ 360,168
Accounts receivable	2,832,441	528,773	332,712	340,616	4,034,542	16,253
Allowance for doubtful accounts	(16,249)	(7,837)	(3,133)	(3,153)	(30,372)	-
Unbilled revenue	2,570,347	-	-	-	2,570,347	-
Due from other governments	-	-	91,392	-	91,392	-
Inventory	654,914	370,720	134,555	292,439	1,452,628	-
Due from other funds	793,484	218	2,571	3,056	799,329	-
Other assets	310,491	16,538	769,657	3,479	1,100,165	-
Restricted assets:						
Bond funds - cash and cash equivalents	-	1,141,978	34,500	87,263	1,263,741	-
Construction funds - cash and cash equivalents	6,042,343	1,074,914	964,475	242,234	8,323,966	-
Total current assets	18,375,978	4,898,680	3,237,375	3,673,748	30,185,781	376,421
<b>CAPITAL AND OTHER NONCURRENT ASSETS:</b>						
Capital assets:						
Utility plant in service	21,619,377	14,408,898	19,432,498	10,868,300	66,329,073	-
Land	333,168	-	134,588	8,324	476,080	-
Buildings and improvements	1,640,857	1,330	10,801,338	3,814,744	16,258,269	-
Furniture, machinery, and equipment	2,264,008	1,088,393	1,433,268	816,309	5,601,978	-
Construction in progress	2,276,891	264,369	6,981,180	1,620,352	11,142,792	-
Less accumulated depreciation	(17,466,067)	(7,077,940)	(19,353,315)	(8,529,063)	(52,426,385)	-
Capital assets, net	10,668,234	8,685,050	19,429,557	8,598,966	47,381,807	-
Other noncurrent assets:						
Notes receivable	325,521	-	792	436,311	762,624	-
Other assets	-	27,722	-	-	27,722	-
Total capital and other noncurrent assets	10,993,755	8,712,772	19,430,349	9,035,277	48,172,153	-
Total assets	29,369,733	13,611,452	22,667,724	12,709,025	78,357,934	376,421
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	5,138,476	261,353	39,627	378,143	5,817,599	67,189
Accrued expenses and other liabilities	206,093	335,809	66,634	-	608,536	-
Due to other funds	-	779,747	10,580	9,002	799,329	-
Customer deposits	1,977,958	63,911	-	-	2,041,869	-
Liabilities payable from restricted assets:						
Bonds and notes payable - current portion	-	860,000	358,701	468,000	1,686,701	-
Accrued interest	-	281,978	-	1,513	283,491	-
Contracts and retainage payable	-	22,271	52,597	-	74,868	-
Total current liabilities	7,322,527	2,605,069	528,139	856,658	11,312,393	67,189
<b>NONCURRENT LIABILITIES:</b>						
Conservation - TVA program	332,026	-	-	-	332,026	-
Revenue and tax bonds and other obligations payable - noncurrent portion	184,451	12,308,205	3,991,481	1,646,578	18,130,715	-
Total noncurrent liabilities	516,477	12,308,205	3,991,481	1,646,578	18,462,741	-
Total liabilities	7,839,004	14,913,274	4,519,620	2,503,236	29,775,134	67,189
<b>NET POSITION</b>						
Net investment in capital assets	10,668,234	(4,438,303)	15,162,166	6,551,966	27,944,063	-
Restricted:						
Restricted for debt service	-	860,000	34,500	85,750	980,250	-
Restricted for construction	6,042,343	1,052,643	911,878	242,234	8,249,098	-
Unrestricted	4,820,152	1,223,838	2,039,560	3,325,839	11,409,389	309,232
Total net position	\$ 21,530,729	\$ (1,301,822)	\$ 18,148,104	\$ 10,205,789	\$ 48,582,800	\$ 309,232

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Wastewater System	Water System	Total Enterprise Funds	
OPERATING REVENUES:						
Charges for services	\$ 27,297,126	\$ 6,730,024	\$ 3,812,660	\$ 3,478,364	\$ 41,318,174	\$ 2,162,493
Forfeited discounts and penalties	197,011	-	27,491	24,224	248,726	-
Rental income	871,953	-	-	2,485	874,438	-
Other operating revenue	185,106	-	78,500	91,182	354,788	16,291
Total operating revenues	28,551,196	6,730,024	3,918,651	3,596,255	42,796,126	2,178,784
OPERATING EXPENSES:						
Purchased power	22,856,077	-	-	-	22,856,077	-
Purchased water	-	-	-	1,408,841	1,408,841	-
Distribution and transmission	1,425,025	3,187,723	859,792	433,100	5,905,640	-
Customer accounting and collection	476,366	296,090	215,864	219,730	1,208,050	-
Maintenance expense	1,093,309	179,724	782,803	300,430	2,356,266	-
Administrative and general	1,245,113	668,154	726,927	597,595	3,237,789	-
Depreciation and amortization	756,757	1,252,995	812,869	397,096	3,219,717	-
Tax and tax equivalents	104,647	45,317	86,547	51,330	287,841	-
Medical claims	-	-	-	-	-	1,978,071
Contract and professional	-	-	-	-	-	26,250
Supplies	-	-	-	-	-	3,300
Total operating expenses	27,957,294	5,630,003	3,484,802	3,408,122	40,480,221	2,007,621
OPERATING INCOME	593,902	1,100,021	433,849	188,133	2,315,905	171,163
NONOPERATING REVENUES (EXPENSES):						
Interest income	30,300	7,716	3,805	6,630	48,451	634
Other income	946	-	150,377	-	151,323	-
Gain on sale of property	13,731	470	(47,869)	2,893	(30,775)	-
Interest expense	-	(565,802)	(52,019)	(15,720)	(633,541)	-
Total non-operating revenues (expenses)	44,977	(557,616)	54,294	(6,197)	(464,542)	634
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	638,879	542,405	488,143	181,936	1,851,363	171,797
Capital contributions	-	-	95,197	-	95,197	-
Transfers	(533,886)	-	-	142,702	(391,184)	-
Change in net position	104,993	542,405	583,340	324,638	1,555,376	171,797
Total net position, beginning of year	21,425,736	(1,844,227)	17,564,764	9,881,151	47,027,424	137,435
Total net position, end of year	\$ 21,530,729	\$ (1,301,822)	\$ 18,148,104	\$ 10,205,789	\$ 48,582,800	\$ 309,232

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Wastewater System	Water System	Total Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 27,697,298	\$ 6,782,204	\$ 4,253,904	\$ 3,649,521	\$ 42,382,927	\$ 2,162,531
Cash paid to suppliers	(25,495,646)	(3,656,330)	(1,225,937)	(2,160,071)	(32,537,984)	(1,940,432)
Cash paid to employees	(1,976,811)	(629,614)	(1,277,603)	(785,908)	(4,669,936)	-
Other payments	(104,647)	(45,317)	(86,547)	(51,330)	(287,841)	-
Net cash provided (used) by operating activities	<u>120,194</u>	<u>2,450,943</u>	<u>1,663,817</u>	<u>652,212</u>	<u>4,887,166</u>	<u>222,099</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Increase (decrease) in customer deposits	143,027	6,017	-	-	149,044	-
(Increase) decrease in notes receivable	66,861	-	402	99,606	166,869	-
Advances from TVA-Home Weatherization Program	(79,881)	-	-	-	(79,881)	-
Payments from (to) other funds of the primary government	(533,886)	-	-	142,702	(391,184)	-
Other receipts (payments)	-	-	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(403,879)</u>	<u>6,017</u>	<u>402</u>	<u>242,308</u>	<u>(155,152)</u>	<u>-</u>
<b>CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(964,083)	(528,132)	(633,543)	(224,807)	(2,350,565)	-
Proceeds from disposition of capital assets	13,731	470	-	2,893	17,094	-
Proceeds from borrowing long-term debt	-	-	-	-	-	-
Principal paid on long-term debt	-	(825,000)	(555,629)	(450,000)	(1,830,629)	-
Interest paid on long-term debt	-	(583,333)	(52,019)	(16,407)	(651,759)	-
Capital contributions received	-	-	95,197	-	95,197	-
Net cash provided (used) by capital financing activities	<u>(950,352)</u>	<u>(1,935,995)</u>	<u>(1,145,994)</u>	<u>(688,321)</u>	<u>(4,720,662)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest and other income	<u>30,300</u>	<u>7,716</u>	<u>3,805</u>	<u>6,630</u>	<u>48,451</u>	<u>634</u>
Net cash provided in investing activities	<u>30,300</u>	<u>7,716</u>	<u>3,805</u>	<u>6,630</u>	<u>48,451</u>	<u>634</u>
Net increase (decrease) in cash and cash equivalents	(1,203,737)	528,681	522,030	212,829	59,803	222,733
Cash and cash equivalents, beginning of year	<u>12,434,287</u>	<u>3,461,587</u>	<u>1,387,591</u>	<u>2,824,482</u>	<u>20,107,947</u>	<u>137,435</u>
Cash and cash equivalents, end of year	<u>\$ 11,230,550</u>	<u>\$ 3,990,268</u>	<u>\$ 1,909,621</u>	<u>\$ 3,037,311</u>	<u>\$ 20,167,750</u>	<u>\$ 360,168</u>
Cash accounts consists of:						
Cash and cash equivalents	\$ 5,188,207	\$ 1,773,376	\$ 910,646	\$ 2,707,814	\$ 10,580,043	\$ 360,168
Bond funds - cash and cash equivalents	-	1,141,978	34,500	87,263	1,263,741	-
Construction funds - cash and cash equivalents	<u>6,042,343</u>	<u>1,074,914</u>	<u>964,475</u>	<u>242,234</u>	<u>8,323,966</u>	<u>-</u>
	<u>\$ 11,230,550</u>	<u>\$ 3,990,268</u>	<u>\$ 1,909,621</u>	<u>\$ 3,037,311</u>	<u>\$ 20,167,750</u>	<u>\$ 360,168</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS**

Operating Income:	\$ 593,902	\$ 1,100,021	\$ 433,849	\$ 188,133	\$ 2,315,905	\$ 171,163
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	756,757	1,252,995	812,869	397,096	3,219,717	-
Other income	946	-	150,377	-	151,323	-
(Gain) loss on disposal of property	(13,731)	(470)	47,869	(2,893)	30,775	-
(Increase) decrease in:						
Accounts receivable	(853,893)	52,868	137,238	58,362	(605,425)	(16,253)
Inventory	(96,482)	29,831	34,107	(8,989)	(41,533)	-
Other assets	25,191	5,180	(22,397)	(3,059)	4,915	-
Due from other funds	101,132	(218)	(231)	(2,203)	98,480	-
Increase (decrease) in:						
Accounts payable	(314,349)	86,359	23,533	(5,828)	(210,285)	67,189
Due to other funds	-	(100,814)	1,342	992	(98,480)	-
Accrued expenses	<u>(79,279)</u>	<u>25,191</u>	<u>45,261</u>	<u>30,601</u>	<u>21,774</u>	<u>-</u>
Total adjustments	<u>(473,708)</u>	<u>1,350,922</u>	<u>1,229,968</u>	<u>464,079</u>	<u>2,571,261</u>	<u>50,936</u>
Net cash provided by operating activities	<u>\$ 120,194</u>	<u>\$ 2,450,943</u>	<u>\$ 1,663,817</u>	<u>\$ 652,212</u>	<u>\$ 4,887,166</u>	<u>\$ 222,099</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**JUNE 30, 2016**

	Governmental Type		Proprietary Type	Total Component Units
	Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 53,129	\$ 110,701	\$ 322,989	\$ 486,819
Accounts receivable	5,235	-	831	6,066
Due from other governments	-	58,629	170,235	228,864
Inventory	-	-	24,205	24,205
Prepaid expenses	-	750	3,530	4,280
Other assets	-	-	9,734	9,734
Restricted assets - cash	-	-	1,000	1,000
Capital assets:				
Land	-	-	1,738,799	1,738,799
Buildings and improvements	-	-	10,032,327	10,032,327
Furniture, machinery, and equipment	-	-	478,725	478,725
Construction in progress	-	-	2,753,265	2,753,265
Accumulated depreciation	-	-	(4,187,443)	(4,187,443)
Total assets	<u>58,364</u>	<u>170,080</u>	<u>11,348,197</u>	<u>11,576,641</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
Deferred outflows related to pension	-	-	5,645	5,645
Total deferred outflows of resources	-	-	5,645	5,645
<b>LIABILITIES:</b>				
Accounts payable	2,000	65,906	68,282	136,188
Due to the primary government	-	-	-	-
Due to TDOT grants	-	-	-	-
Retainage payable	-	-	28,186	28,186
Other liabilities	-	8,977	6,735	15,712
Long-term liabilities:				
Due within one year	-	-	38,894	38,894
Due in more than one year	-	-	114,890	114,890
Total liabilities	<u>2,000</u>	<u>74,883</u>	<u>256,987</u>	<u>333,870</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unearned revenue	-	-	13,991	13,991
Total deferred inflows of resources	-	-	13,991	13,991
<b>NET POSITION:</b>				
Net investment in capital assets	-	-	10,685,554	10,685,554
Restricted	-	-	1,000	1,000
Unrestricted	56,364	95,197	396,310	547,871
Total net position	<u>\$ 56,364</u>	<u>\$ 95,197</u>	<u>\$ 11,082,864</u>	<u>\$ 11,234,425</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Type		Proprietary Type	
					Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	Total Component Units
Industrial Development Board	\$ 95,630	\$ 41,204	\$ 60,000	\$ -	\$ 5,574	\$ -	\$ -	\$ 5,574
Area Economic Development Corporation	217,383	-	259,140	-	-	41,757	-	41,757
Municipal Airport Authority	1,321,150	99,074	1,575,217	12,000	-	-	365,141	365,141
Total component units	<u>\$ 1,634,163</u>	<u>\$ 140,278</u>	<u>\$ 1,894,357</u>	<u>\$ 12,000</u>	<u>5,574</u>	<u>41,757</u>	<u>365,141</u>	<u>412,472</u>
General revenues:								
Unrestricted investment earnings					-	61	428	489
Sale of fuel and oil					-	-	733,825	733,825
Other revenues					-	-	5,729	5,729
Total general revenues and transfers					-	61	739,982	740,043
Change in net position					5,574	41,818	1,105,123	1,152,515
Net position, beginning					50,790	53,379	9,977,741	10,081,910
Net position, ending					<u>\$ 56,364</u>	<u>\$ 95,197</u>	<u>\$ 11,082,864</u>	<u>\$ 11,234,425</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Tullahoma, Tennessee (the City) was chartered by private act in 1903. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, health and social services, recreation, public improvements, planning and zoning, general administrative, utility services and public education.

**A. Reporting Entity**

The financial statements of the City present the primary government and its component units. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component unit is reported in a separate column from primary government in the government-wide financial statements to emphasize they are legally separate from the City.

As of June 30, 2016, the City has no blended component units.

The City reports the following discretely presented component units:

**Tullahoma Municipal Airport Authority** (The Authority) operates and maintains the airport and its related property. The Authority is required to submit an annual budget document to the Mayor and Aldermen for their approval, and receives an annual operating subsidy from the City.

**Tullahoma Industrial Development Board** (The TIDB) was established in order to promote industry and develop trade for the City and surrounding county government. The TIDB is required to have annual budgets and debt issues approved by the Mayor and Aldermen.

**Tullahoma Area Economic Development Corporation** (The TAEDC) was established to help Tullahoma capture economic activity. The TAEDC is required to submit an annual budget document to the Mayor and Aldermen for their approval, and receives an annual operating subsidy from the City.

The financial statements of the component units are available as part of the City of Tullahoma Comprehensive Annual Financial Report and can be obtained from the City of Tullahoma finance office:

P.O. Box 807  
201 West Grundy Street  
Tullahoma, Tennessee 37388

All discretely presented component units have a June 30 fiscal year-end.

**B. Jointly Governed Organizations**

Jointly governed organizations are excluded from the financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, due to the City's lack of financial accountability for their operations. The following related agencies provide services within the City:



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Duck River Utility Commission:

The City, in conjunction with the City of Manchester, appoints the Board of the Duck River Utility Commission (DRUC), which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six-member board. Neither city has any other responsibility for the commission. The City has no equity interest in the net resources of the Commission. Assets of the DRUC are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the DRUC. The DRUC reported net position of \$2,201,394 as of June 30, 2016. Complete financial statements can be obtained by writing P.O. Box 1237, Tullahoma, TN 37388.

Interlocal Solid Waste Authority:

The Interlocal Solid Waste Authority (The ISWA) was created pursuant to an interlocal agreement authorized by State Statutes in March 1993. Its Board is composed of two members from each of the adjoining counties of Bedford, Franklin, Lincoln, Moore, and City of Tullahoma. The purpose of the ISWA is to provide solid waste recycling and disposal services to the City and the four county areas. The ISWA entered into an agreement with a waste recycling company for recycling of its solid waste. The City has an ongoing financial responsibility to fund its Pro Rata share of costs incidental to the operation of the ISWA. During 2016, these costs amounted to \$438,289 and were paid from the Solid Waste Fund of the City. The City has no equity interest in the ISWA. The ISWA had reported net position of \$618,964 as of June 30, 2016. Complete financial statements can be obtained by writing Interlocal Solid Waste, C/O City of Tullahoma, P.O. Box 807, Tullahoma, TN 37388.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. Statement of Net Position and Statement of Changes in Net Position) report information on the activities of the Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The **Statement of Net Position** presents the Government's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

**Net investment in capital assets** consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. The outstanding debt is offset by any unspent proceeds for such debt.

**Restricted net position** results from restrictions placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** consists of all other net position that does not meet the definition of the two preceding categories.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; non-major funds are combined in a single column.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. All material interfund activity has been removed from these statements. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which the levy is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as receivables in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to non-vested sick pay, compensated absences and other long-term commitments and contingencies are recorded only when payment is due.

Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Funds operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The Enterprise Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and expenses are recognized when they are incurred.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, except for services provided and used, which are not eliminated in the process of consolidation.

Amounts reported as **program revenues** include 1) charges to customers for goods, services or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Amounts reported as **general revenues** include 1) all taxes, 2) unrestricted revenues for the use of money or property, 3) unrestricted revenues from other governmental agencies, and 4) compensation for loss, sale or damage of property.

Expenses reported by function include **direct expenses** that are specifically associated with a service or program and are clearly identifiable to a particular program. Some functions, such as general government and fiscal administration, include expenses that are in essence **indirect expenses** of other functions. The City has elected not to charge these indirect expenses to other functions.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary funds distinguish **operating** revenues and expenses from **non-operating** items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the fund's principal ongoing operations and consist primarily of charges to customers or departments, cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Government reports the following major governmental funds:

The **General Fund** is the Government's primary operating fund which is used to account for all financial resources of the general operations of the Government, except those required to be accounted for in another fund.

The **General Purpose School Fund** is used to account for the receipt and disbursement of federal, state and local funds for education purposes, except those required to be accounted for in another fund.

The **General Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the debt.

The Government reports the following major proprietary funds:

The **Electric System** is used to account for the electric operations of the Tullahoma Utilities Board.

The **Fiber Optics System** is used to account for the fiber optics operations of the Tullahoma Utilities Board.

The **Wastewater System** is used to account for the wastewater operations of the Tullahoma Utilities Board.

The **Water System** is used to account for the water operations of the Tullahoma Utilities Board.

These funds provide services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

Additionally, the Government reports the following fund types:

An **Internal Service Fund** is used to account for the operations of self-sustaining agencies rendering services to other agencies of the government on a cost reimbursement basis. These services include the medical trust fund used to account for employee health insurance program.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits, savings accounts and certificates of deposit having an original maturity date of three months or less.

For purposes of reporting cash flows in the Enterprise Fund, cash and cash equivalents includes designated amounts classified on the balance sheet as "Restricted Assets."

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments – The City is reporting investments at fair value, except for investments with a remaining maturity, at the time of purchase, of one year or less, which are reported on an amortized cost basis. Investments consist of certificates of deposit with original maturity of more than three months.

Inventories and Prepaid Items – Material and supply inventories in the enterprise funds are valued at the lower of cost or market, with cost being determined on an average cost basis. All funds account for inventories using the consumption method. Prepaid items in both the government-wide and fund financial statements represent payments to vendors that reflect costs applicable to future periods.

Receivables – All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Interfund Receivables and Payables and Transactions Between Funds – Short-term amounts owed between funds are classified as “Due to/from other funds.” Legally authorized transfers are included in the results of operations of both Governmental and Proprietary Funds.

Restricted Assets – Certain accounts of the Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are generally defined as assets with an individual cost in excess of \$5,000 and a useful life in excess of one year. Such assets are recorded at historical cost at the time of acquisition. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is not capitalized on assets acquired with tax-exempt debt.

Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Utility plant in service	7 - 100 years
Buildings and improvements	30 years
Improvements other than buildings	20 years
Furniture, machinery and equipment	5 - 15 years
Infrastructure	17 - 20 years

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized on the straight-line method over the shorter of the economic useful life of the asset or the remaining lease term.

Appropriations – Appropriations to other funds are accounted for as interfund transfers.

Compensated Absences – City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and sick leave, if vested. After five years of employment, employee sick leave vests at varying percentages up to a maximum of 50% after 10 years of service. Accumulated unpaid vacation pay related to proprietary fund type operations is reported as a liability in the appropriate individual proprietary funds.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

School Board employees' vacation time must be used in each fiscal year and cannot be carried forward to subsequent fiscal years; therefore, no adjustment has been made for vacation time. For sick time, non-certified personnel, after a minimum of ten years of service with Tullahoma City Schools, will be paid \$25 for each unused accumulated sick day upon termination of employment by resignation or retirement. Sick time for certified personnel is rolled into their retirement time.

Accumulated unpaid vacation and sick pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Position and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources. The current portion of this debt is estimated based on historical trends.

Accumulated unpaid vacation and sick pay amounts related to proprietary fund type operations are accrued when benefits vest to employees and reported as a liability in the appropriate individual proprietary funds.

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Reserves, Designations of Fund Balances – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance is reported in the fund financial statements under the following classifications:

**Nonspendable fund balance** – Amounts that cannot be spent because they are not in a spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact (principal of permanent fund).

**Restricted fund balance** – Amount of fund balance that can be spent for specific purposes stipulated by external resource or through enabling legislation.

**Committed fund balance** – Amounts constrained for specific purposes as determined by formal action of the City Board of Mayor and Aldermen, the highest level of decision-making body, by resolution. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the City Board of Mayor and Aldermen removes or changes the commitment by taking the same action it employed to impose the commitment.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assigned fund balance** – Amounts are intended to be used by the City but do not meet the criteria of restricted or committed. Intent can be expressed by the Mayor and Board of Aldermen or by an official who has been designated this authority by the City Board. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

**Unassigned fund balance** – In accordance with GAAP, unassigned fund balance is the residual classification of the General Fund that does not meet any of the other classifications.

**Stabilization policy** – The City has a fund balance policy that requires that the unassigned fund balance be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment of changes resulting from fluctuations of revenue sources. The City will maintain at least 15% of the next year's budget in the unassigned fund balance to committed fund balance of the general fund. For the current fiscal year, the City did meet the minimum general fund balance policy.

**Spending policy** – Unless otherwise stated, the fund balances will be spent in the following order:

Restricted  
Committed  
Assigned  
Unassigned

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pensions and pension expense, information about the fiduciary net position of the City Pension Plan and the Tullahoma City Schools Plans and additions/deductions from the plan net positions have been determined on the same basis as they are reported by the plans.

Benefit payments (including refunds of employee contributions) are recognized in the fund financial statements when due and payable in accordance with the benefit terms. Payments made after the measurement date are deferred in government-wide statements. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City reports deferred gains on refunding and deferred contributions on pension plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred contributions for the pension plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The City has the following items that qualify for reporting in this category: the unavailable revenue reported in the governmental funds balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

These amounts relate to the unavailable revenue from uncollected property taxes (including penalties and interest) and unavailable revenues relating to loans. The deferred inflows of resources reported in the statement of net position, arise from property tax levied on January 1, 2016, will not be available for collection until fiscal year 2016, beginning October 1, 2016. Certain amounts related to pensions must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. The City did not have deferred inflows of resources to report in its Proprietary Fund financial statements for the current year.

**F. Revenues, Expenditures and Expenses**

Property Tax – The City’s property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City’s legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Public Utility Property	55%
Industrial and Commercial Property – Real	40%
Industrial and Commercial Property – Personal	30%
Farm and Residential Property	25%

Taxes are levied at a rate of \$2.60 for property located in Coffee and \$2.61 for property located in Franklin Counties per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$9,952,370 for the fiscal year ended June 30, 2016 were approximately 96% of the tax levy.

During March of each tax year, delinquent taxes are turned over to the County for collection.

Estimates – Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**G. Recent Accounting Pronouncements**

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City’s financial statements.

The GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is effective for fiscal year 2017 for the City. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.

The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The GASB issued Statement No. 77, Tax Abatement Disclosures, which is effective for fiscal year 2017 for the City. This Statement improved financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

The GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, required for fiscal periods beginning after December 15, 2015, fiscal year 2017 for the City. This Statement amends the scope and applicability of GASB Statement No. 68 regarding pensions provided to employees of state and local governmental employers through certain cost-sharing multiple-employer defined benefit pension plans.

The GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14, which is effective for fiscal periods beginning after June 15, 2016, fiscal year 2017 for the City. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB issued Statement No. 82, Pension Issues, which is effective for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal period beginning after June 15, 2017, fiscal years 2017 and 2018, respectively for the City. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements for certain pension issues.

**H. Date of Management's Subsequent Review**

Management has evaluated subsequent events through March 31, 2017, which is the date the financial statements were available to be issued.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. On or before May 1 of each year, all agencies of the City submit requests for appropriations to the City Administrator and Finance Director so that a budget may be prepared and submitted to the Board of Mayor and Aldermen.
- b. Prior to July 1, the budget is legally enacted through passage of an ordinance for the General, Special Revenue and Debt Service Funds of the City. The Board of Education submits its budgets to the City for approval by The Board of Mayor and Aldermen.
- c. The City Administrator and Finance Director are authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level.
- d. The Board of Education follows its own policy for budgetary revisions during the year with changes submitted to the Board of Mayor and Aldermen when revised.



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

- e. Budgets for all funds use the encumbrance method of accounting whereby encumbrances are treated as expenditures in the year of incurrence of the commitment to purchase. The adjustments to convert budget basis excess revenues over expenditures to GAAP represent the net changes in encumbrances outstanding at year end after consideration is given to prior year encumbrances liquidated during the current year. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted and as amended by the Board. Individual amendments are not material in relation to the original appropriations. Capital Projects Funds adopt their budgets on a project length basis; therefore, budgetary comparison statements on an annual basis would not provide meaningful information and are not presented.
- f. All appropriations which are not expended or encumbered lapse at year-end.
- g. The following supplemental budgetary appropriations were enacted by the Board of Mayor and Aldermen during the fiscal year 2016:

General Fund	\$ 116,835
School Food Service Fund	28,300
Drug Enforcement Fund	8,000
General Debt Service Fund	4,616,635
Equipment Replacement Fund	604,431

Encumbrances – Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are classified as restricted, committed or assigned fund balances depending on the governmental fund purpose and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**B. Excess Expenditures**

For the year ended June 30, 2016, the following City funds had total expenditures exceeding total appropriations. These over expenditures were funded by available fund balances.

<u>Budgeted Unit:</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
School Federal and State Projects Fund:			
Other student support	\$ 11,713	\$ 11,724	\$ (11)
Capital outlay	99,397	100,038	(641)
Total School Federal and State Projects Fund	<u>\$ 111,110</u>	<u>\$ 111,762</u>	<u>\$ (652)</u>
Educational Debt Service Fund:			
Capital outlay	\$ 2,347,505	\$ 2,357,112	\$ (9,607)
Total Educational Debt Service Fund	<u>\$ 2,347,505</u>	<u>\$ 2,357,112</u>	<u>\$ (9,607)</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**C. Deficit Fund Balances**

The following fund has a deficit balance as of June 30, 2016:

	<b>Undesignated Fund Balance/ Unrestricted Net Position</b>	<b>Reserved</b>	<b>Total Fund Balance/Total Net Position</b>
<b>Proprietary Fund:</b>			
Fiber Optics System	\$ 1,223,838	\$ (2,525,660)	\$ (1,301,822)

The responsibility for funding the above deficit balance lies with Tullahoma Utilities Board.

**D. Prior Period Adjustment**

Adjustments to prior period financial statements were made to correct errors discovered during the audit.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The City and component units are authorized by policy to invest funds in financial institutions and direct obligations of the Federal Government. During 2016, the City and component units invested funds that are not immediately needed in certificates of deposit, savings accounts, money market accounts, and the State of Tennessee Local Government Investment Pool. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account or in a second bank for the benefit of the City and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

**A. Deposits**

*Custodial Credit Risk:* The City's policies limit deposits to those instruments allowed by applicable state laws and described above. As of June 30, 2016, all deposits were fully collateralized.

**B. Investments**

*Credit Risk:* The City does not have a formal investment policy; however, management's current investment practice is formulated around the prudent-person rule: investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and, in general, avoid speculative investments.

*Interest Rate Risk:* Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool (the Pool) are available daily. The Pool does not have a credit rating.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 - AMOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

**A. Accounts receivable**

A summary of accounts receivable as of June 30, 2016 is as follows:

**Primary Government:**

	Governmental Activities	Business-type Activities	Total	Component Units
Property tax	\$ 10,932,624	\$ -	\$ 10,932,624	\$ -
Court receivables	966,346	-	966,346	-
Customer accounts receivables	-	4,034,542	4,034,542	831
Other	100,271	-	100,271	5,235
	<u>\$ 11,999,241</u>	<u>\$ 4,034,542</u>	<u>\$ 16,033,783</u>	<u>\$ 6,066</u>

**B. Due from other governments**

A summary of due from other governments as of June 30, 2016 is as follows:

	Governmental Activities	Business-type Activities	Total	Component Units
Due from Federal and State Funds	\$ 1,019,640	\$ 91,392	\$ 1,111,032	\$ 69,322
Due from Local Matching Funds	-	-	-	97,820
Other	1,370,563	-	1,370,563	61,722
	<u>\$ 2,390,203</u>	<u>\$ 91,392</u>	<u>\$ 2,481,595</u>	<u>\$ 228,864</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 - CAPITAL ASSETS**

**A. Transaction Summary**

Capital asset activity for the year ended June 30, 2016 is as follows:

**Primary Government:**

Governmental Activities:

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 3,869,445 *	\$ 63,400	\$ -	\$ 3,932,845
Construction in process	4,475,563 *	2,045,116	(881,786)	5,638,893
Total capital assets, not being depreciated	8,345,008	2,108,516	(881,786)	9,571,738
Capital assets, being depreciated:				
Buildings and improvements	59,385,169	86,099	-	59,471,268
Furniture, machinery, and equipment	11,170,608	493,477	(278,987)	11,385,098
Infrastructure	19,037,447	1,168,710	-	20,206,157
Total capital assets, being depreciated	89,593,224	1,748,286	(278,987)	91,062,523
Less accumulated depreciation:				
Buildings and improvements	(29,638,928)	(1,364,882)	-	(31,003,810)
Furniture, machinery, and equipment	(8,735,592)	(512,210)	277,897	(8,969,905)
Infrastructure	(13,584,123)	(597,234)	-	(14,181,357)
Total accumulated depreciation	(51,958,643)	(2,474,326)	277,897	(54,155,072)
Total capital assets being depreciated, net	37,634,581	(726,040)	(1,090)	36,907,451
Governmental activities capital assets, net	\$ 45,979,589	\$ 1,382,476	\$ (882,876)	\$ 46,479,189

\* Beginning balances have been reclassified.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 - CAPITAL ASSETS (continued)**

Business-type Activities:

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 476,080	\$ -	\$ -	\$ 476,080
Construction in process	10,147,319	1,987,326	(991,853)	11,142,792
Total capital assets, not being depreciated	10,623,399	1,987,326	(991,853)	11,618,872
Capital assets, being depreciated:				
Utility plant in service	65,582,086	978,529	(231,542)	66,329,073
Buildings and improvements	16,434,402	108,778	(284,911)	16,258,269
Furniture, machinery, and equipment	5,546,251	238,598	(182,871)	5,601,978
Total capital assets, being depreciated	87,562,739	1,325,905	(699,324)	88,189,320
Less accumulated depreciation:				
Utility plant in service	(33,939,511)	(2,586,855)	274,990	(36,251,376)
Buildings and improvements	(11,437,585)	(473,381)	284,911	(11,626,055)
Furniture, machinery, and equipment	(4,398,102)	(330,522)	179,670	(4,548,954)
Total accumulated depreciation	(49,775,198)	(3,390,758)	739,571	(52,426,385)
Total capital assets being depreciated, net	37,787,541	(2,064,853)	40,247	35,762,935
Business-type activities capital assets, net	<u>\$ 48,410,940</u>	<u>\$ (77,527)</u>	<u>\$ (951,606)</u>	<u>\$ 47,381,807</u>

**Component Units:**

Tullahoma Municipal Airport Authority:

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,738,799	\$ -	\$ -	\$ 1,738,799
Construction in process	1,283,892	1,469,373	-	2,753,265
Total capital assets, not being depreciated	3,022,691	1,469,373	-	4,492,064
Capital assets, being depreciated:				
Buildings and improvements	10,013,846	18,481	-	10,032,327
Furniture, machinery, and equipment	473,824	4,901	-	478,725
Total capital assets, being depreciated	10,487,670	23,382	-	10,511,052
Less accumulated depreciation:				
Buildings and improvements	(3,376,289)	(399,667)	-	(3,775,956)
Furniture, machinery, and equipment	(396,008)	(15,479)	-	(411,487)
Total accumulated depreciation	(3,772,297)	(415,146)	-	(4,187,443)
Total capital assets being depreciated, net	6,715,373	(391,764)	-	6,323,609
Component unit capital assets, net	<u>\$ 9,738,064</u>	<u>\$ 1,077,609</u>	<u>\$ -</u>	<u>\$ 10,815,673</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 - CAPITAL ASSETS (continued)**

**B. Depreciation**

Depreciation expense was charged to functions/programs as follows:

**Primary Government:**

Governmental activities:	
General government	\$ 755,834
Public works	597,234
Education	1,112,873
Food Service	8,385
Total depreciation expense, governmental activities	<u>\$ 2,474,326</u>
Business-type activities:	
Tulahoma Utilities Board	<u>\$ 3,390,758</u>

**Component Units:**

Tulahoma Municipal Airport Authority	<u>\$ 415,146</u>
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Depreciation expense and amounts charged to construction in process for the year ended June 30, 2016 for the business-type activities were as follows:

	Total	Charged to Other Accounts	Expense Amount
<b><u>Primary Government:</u></b>			
Business-type activities:			
Tulahoma Utilities Board			
Electric	\$ 845,109	\$ 88,352	\$ 756,757
Water	408,962	13,259	395,703
Wastewater	878,810	65,941	812,869
Fiber Optics	1,257,877	11,810	1,246,067
	<u>\$ 3,390,758</u>	<u>\$ 179,362</u>	<u>\$ 3,211,396</u>

Interest expense and amounts charged to construction in progress for the year ended June 30, 2016 were as follows:

Interest expense:			
	Total Interest	Capitalized Interest	Expensed Interest
<b><u>Primary Government:</u></b>			
Business-type activities:			
Tulahoma Utilities Board	<u>\$ 663,611</u>	<u>\$ 30,070</u>	<u>\$ 633,541</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS**

**A. Transaction Summary**

Bonds, notes, and other obligations activity for the year ended June 30, 2016 is as follows:

**Primary Government:**

**Governmental Activities:**

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<u>General Obligation Bonds:</u>					
General Obligation Public Improvement and Refunding					
Bonds, Series 2005	\$ 5,295,000	\$ -	\$ (5,295,000)	\$ -	\$ -
General Obligation Refunding Bonds, Series 2006	9,120,000	-	(30,000)	9,090,000	35,000
TMBF City Note, Series 2008	943,000	-	(35,000)	908,000	37,000
TMBF 12M School Note, Series 2008	10,498,000	-	(361,000)	10,137,000	377,000
General Obligation Refunding Bonds, Series 2009	315,000	-	(100,000)	215,000	105,000
General Obligation School Bonds, Series 2010	4,350,000	-	(100,000)	4,250,000	100,000
General Obligation School Refunding Bonds, Series 2012	4,100,000	-	(1,000,000)	3,100,000	1,000,000
General Obligation Refunding Bonds, Series 2016	-	4,585,000	-	4,585,000	740,000
	34,621,000	4,585,000	(6,921,000)	32,285,000	2,394,000
Bond premium	242,115	-	(87,515)	154,600	-
Total General Obligation Bonds	34,863,115	4,585,000	(7,008,515)	32,439,600	2,394,000
<u>Capital Outlay Notes Payable:</u>					
Capital Outlay Note, Series 2007	198,000	-	(97,000)	101,000	101,000
Capital Outlay Note, Series 2013	830,000	-	(65,000)	765,000	67,000
Local Government Loan Program, Series 2013	2,315,000	-	(86,000)	2,229,000	87,000
Capital Outlay Note, Series 2014	565,000	-	(89,000)	476,000	91,000
Local Government Loan Program, Series 2015	1,564,622	1,423,878	-	2,988,500	50,500
Total Capital Outlay Notes Payable	5,472,622	1,423,878	(337,000)	6,559,500	396,500
<u>Other Obligations Payable:</u>					
Net OPEB liability - City employees	599,995	116,875	-	716,870	-
Net OPEB liability - School employees	605,633	190,172	-	795,805	-
Net pension obligation (TCRS) - City employees	-	4,032	-	4,032	-
Net pension obligation (TCRS) - School employees legacy	(57,539)	202,295	-	144,756	-
Net pension obligation (TCRS) - School employees retirement	-	-	(17,124)	(17,124)	-
Net pension obligation (TCSDBP) - School employees	4,794,358	-	(1,044,280)	3,750,078	-
Compensated absences	1,116,473	205,461	(48,375)	1,273,559	75,000
Total Other Obligations Payable	7,058,920	718,835	(1,109,779)	6,667,976	75,000
Total Governmental Activities Long-term Liabilities	\$ 47,394,657	\$ 6,727,713	\$ (8,455,294)	\$ 45,667,076	\$ 2,865,500

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)**

**Business-type Activities:**

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<u><b>Bonds Payable:</b></u>					
Broadband Network Revenue and Tax Bonds, Series 2007	\$ 13,995,000	\$ -	\$ (825,000)	\$ 13,170,000	\$ 860,000
Water and Wastewater Revenue and Tax Bonds, Series 1997	160,000	-	(50,000)	110,000	55,000
Less: bond discount	(51,020)	4,373	-	(46,647)	-
<b>Total Bonds Payable</b>	<b>14,103,980</b>	<b>4,373</b>	<b>(875,000)</b>	<b>13,233,353</b>	<b>915,000</b>
<u><b>Notes Payable:</b></u>					
<b>Water System:</b>					
TML Loan 1999	1,682,000	-	(314,000)	1,368,000	324,000
Revenue and Tax Capital Outlay Notes, Series 2011	655,000	-	(86,000)	569,000	89,000
<b>Total Notes Payable - Water System</b>	<b>2,337,000</b>	<b>-</b>	<b>(400,000)</b>	<b>1,937,000</b>	<b>413,000</b>
<b>Wastewater System:</b>					
State Revolving Loan Fund, 93-053	84,832	-	(84,832)	-	-
State Revolving Loan Fund, 94-077	316,525	-	(209,032)	107,493	107,493
Revenue and Tax Capital Outlay Notes, Series 2011	511,000	-	(67,000)	444,000	69,000
State Revolving Fund Loan CWO 12-297	3,910,663	-	(194,765)	3,715,898	182,208
<b>Total Notes Payable - Wastewater System</b>	<b>4,823,020</b>	<b>-</b>	<b>(555,629)</b>	<b>4,267,391</b>	<b>358,701</b>
<u><b>Other Obligations Payable:</b></u>					
Compensated absences	416,761	-	(37,089)	379,672	-
<b>Total Other Obligations Payable</b>	<b>416,761</b>	<b>-</b>	<b>(37,089)</b>	<b>379,672</b>	<b>-</b>
<b>Total Business-type Activities Long-term Liabilities</b>	<b>\$ 21,680,761</b>	<b>\$ 4,373</b>	<b>\$ (1,867,718)</b>	<b>\$ 19,817,416</b>	<b>\$ 1,686,701</b>

**Component Units:**

Tullahoma Municipal Airport Authority:	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<u><b>Notes Payable:</b></u>					
UDAG Note Payable (11-05-05)	\$ 121,948	\$ -	\$ (31,610)	\$ 90,338	\$ 29,329
UDAG Note Payable (01-04-12)	1,228	-	(991)	237	237
UDAG Note Payable (08-05-13)	20,593	-	(2,433)	18,160	2,458
UDAG Note Payable (03-14-14)	17,358	-	(4,565)	12,793	4,610
UDAG Note Payable (03-06-15)	10,829	-	(2,237)	8,592	2,260
<b>Total Notes Payable</b>	<b>171,956</b>	<b>-</b>	<b>(41,836)</b>	<b>130,120</b>	<b>38,894</b>
<u><b>Other Obligations Payable:</b></u>					
Net pension liability	-	207	-	207	-
Compensated absences	20,503	2,955	-	23,458	-
<b>Total Other Obligations Payable</b>	<b>20,503</b>	<b>3,162</b>	<b>-</b>	<b>23,665</b>	<b>-</b>
<b>Total Component Units Long-term Liabilities</b>	<b>\$ 192,459</b>	<b>\$ 3,162</b>	<b>\$ (41,836)</b>	<b>\$ 153,785</b>	<b>\$ 38,894</b>



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)**

**B. Annual Debt Service Requirements**

The annual requirements to amortize all general obligation bonds, notes, and revenue bonds outstanding as of June 30, 2016 are as follows:

**Primary Government:**

**Governmental Activities:**

	General Obligation Bonds		Notes Payable		Total Governmental Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2017	\$ 2,394,000	\$ 1,167,094	\$ 396,500	\$ 193,039	\$ 2,790,500	\$ 1,360,133
2018	2,502,000	1,111,004	362,000	180,541	2,864,000	1,291,545
2019	2,567,000	1,034,145	369,000	170,389	2,936,000	1,204,534
2020	2,663,000	943,158	376,000	160,042	3,039,000	1,103,200
2021	2,759,000	857,243	383,000	149,502	3,142,000	1,006,745
2022-2026	10,394,000	3,101,751	1,492,000	606,077	11,886,000	3,707,828
2027-2031	5,569,000	1,432,593	1,153,000	408,810	6,722,000	1,841,403
2032-2036	3,437,000	260,170	1,228,000	231,390	4,665,000	491,560
2037-2040	-	-	800,000	53,280	800,000	53,280
	32,285,000	9,907,158	6,559,500	2,153,070	38,844,500	12,060,228
Bond premium	154,600	-	-	-	154,600	-
	<u>\$ 32,439,600</u>	<u>\$ 9,907,158</u>	<u>\$ 6,559,500</u>	<u>\$ 2,153,070</u>	<u>\$ 38,999,100</u>	<u>\$ 12,060,228</u>

**Business-type Activities:**

	Revenue Bonds		Notes Payable		Total Proprietary Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2017	\$ 915,000	\$ 550,218	\$ 771,701	\$ 110,770	\$ 1,686,701	\$ 660,988
2018	955,000	509,794	682,308	94,590	1,637,308	604,384
2019	935,000	469,872	700,444	77,902	1,635,444	547,774
2020	975,000	430,478	719,604	60,722	1,694,604	491,200
2021	1,020,000	389,331	366,776	43,030	1,386,776	432,361
2022-2026	5,785,000	1,241,408	1,167,492	137,376	6,952,492	1,378,784
2027-2031	2,695,000	119,109	1,045,908	73,992	3,740,908	193,101
2032-2036	-	-	750,158	15,182	750,158	15,182
	13,280,000	3,710,210	6,204,391	613,564	19,484,391	4,323,774
Bond discount	(46,647)	-	-	-	(46,647)	-
	<u>\$ 13,233,353</u>	<u>\$ 3,710,210</u>	<u>\$ 6,204,391</u>	<u>\$ 613,564</u>	<u>\$ 19,437,744</u>	<u>\$ 4,323,774</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)**

**Component Units:**

	Notes Payable	
	Principal	Interest
June 30,		
2017	\$ 38,894	\$ 1,025
2018	38,972	711
2019	38,109	394
2020	5,964	125
2021	2,558	70
2022-2024	5,623	63
	<u>\$ 130,120</u>	<u>\$ 2,388</u>

**C. Other Debt Information**

**Primary Government:**

Governmental Activities:

General Obligation Bonds and Capital Outlay notes of the Primary Government are secured by the City, which is obligated to levy taxes to the extent necessary to serve this debt.

Notes payable by the Tullahoma Utilities Board to the State of Tennessee includes debt assumed by the Duck River Utility Commission. The balance of the debt assumed by the Duck River Utility Commission and included in notes payable and notes receivable is \$436,311 as of June 30, 2016.

The City is secondarily liable for the revenue bonds of the Tullahoma Utilities Board. The primary sources of repayment for the bonds are the Board's operating revenues.

Compensated absences and net other postemployment benefit obligation are liquidated in the various funds in which the corresponding salary expenditures are paid, primarily the General Fund and General Purpose School Fund. Net pension obligation will primarily be liquidated by the school funds incurring the related employees' compensation, primarily the General Purpose School Fund.

Business-type Activities:

Revenue bond covenants of the Proprietary Fund generally provide that the related bonds are primarily secured by net revenues of the system. Bond covenants relating to the issues require the establishment of various reserve funds for payment of principal and interest, and for renewal and replacement. These reserves have been satisfactorily maintained during 2016.

**Component Units:**

The Authority's UDAG Loan (11-05-05) has a variable rate, determined each November 1 at four percentage points below prime with a .75% floor. The interest rate at June 30, 2016 was 0.75%. Future principal and interest payments have been calculated using this rate.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)**

**D. Issuance of Notes**

**Primary Government:**

Governmental Activities:

In January 2015, the City entered into an agreement with the City of Clarksville, Tennessee to secure a loan for the purpose of financing the cost of Phase II of the reconstruction of the old swimming pool in the outdoor water park style, as well as upgrades to the adjacent indoor pool. The total project is \$2,988,500 with an interest rate of 3.00% over 25 years. Funds received in the year ended June 30, 2016 totaled \$1,423,878.

In April 2016, the City issued \$4,585,000 General Obligation Refunding Bonds, Series 2016 with interest 2.37% to refund \$4,585,000 of the callable portion of the General Obligation Public Improvement and Refunding Bonds, Series 2005. As a result of the refunding the 2005 bonds were defeased and the liability for the refunded portion of those bonds has been removed from long-term debt in the fiscal year 2016 financial statements.

In prior years, the City has defeased certain other obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements of the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2016, \$26,850,000 of general obligations bonds are considered defeased.

**NOTE 7 - RETIREMENT PLANS**

**Primary Government:**

Governmental Activities:

**A. City Plan**

(1) Defined Contribution Plan - City

The City offers all employees of the governmental activities (exclusive of employees of the Tullahoma City Schools) a defined contribution plan created in accordance with Internal Revenue Code Section 457B. Participation in the plan is optional for full-time employees with one year of service. The contribution rate for the City shall be set by the Board of Mayor and Aldermen during the budget process. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider, ICMA-RC, administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City.

The City budgeted to contribute 5 percent of full-time qualified employees' earnable compensation. For the year ended June 30, 2016, the City contributions to the plan totaled \$129,301 and employee contributions were \$201,745.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**A. City Plan**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)

**General Information about the Pension Plan**

*Plan description.* Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provide.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

*Employees covered by benefit terms.* At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>58</u>
	<u><u>58</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Tullahoma makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contributions (ADC) for City was \$30,332 based on a rate of 5.78 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept City's state shared taxes if required employer contributions are not remitted.

The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

City's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (continued)

*Actuarial assumptions.* The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		<hr/> 100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)  
(continued)

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Tullahoma will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
<b>Balance at 6/30/14</b>	\$ -	\$ -	\$ -
<b>Changes for the year:</b>			
Service cost	56,571	-	56,571
Interest	4,243	-	4,243
Differences between expected and actual experience	433	-	433
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contributions-employees	-	30,332	(30,332)
Contributions-employer	-	26,239	(26,239)
Contributions-other	-	-	-
Net investment income	-	1,002	(1,002)
Administrative expense	-	(565)	565
Other expenses	-	-	-
<b>Net changes</b>	<u>61,247</u>	<u>57,008</u>	<u>4,239</u>
<b>Balance at 6/30/15</b>	\$ <u>61,247</u>	\$ <u>57,008</u>	\$ <u>4,239</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Tullahoma calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)  
(continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$ 17,653	\$ 4,239	\$ (6,343)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension expense.* For the year ended June 30, 2016, the City recognized pension expense of \$33,299.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 394	\$ -
Net difference between projected and actual earnings on pension plan investments	878	-
Contributions subsequent to the measurement date as of June 30, 2015	162,439	-
Total	<u>\$ 163,711</u>	<u>\$ -</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ 259
2017	259
2018	259
2019	259
2020	39
Thereafter	197

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description:

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**Allocation of Pension Related Activity**

The pension related activity has been allocated to the governmental activities and respective component units activities by use of an allocation ratio of the fiscal year 2015 pension contributions. A summary of the pension related activity follows:

	<u>Governmental Activities</u>	<u>Component Units</u>
Net Pension Liability	\$ 4,032	\$ 207
Deferred outflows of Resources	158,065	5,645

All of the Tullahoma City Schools' (the City Schools) employees, except teachers, participate in the Tullahoma City Schools Defined Benefit Plan (TCSDBP).

Plan assets are invested in annuity contracts with the Principal Financial Group. Separate financial statements of the single-employee pension trust have not been presented as part of these financial statements. That report may be obtained by writing to the Principal Financial Group, 711 West High, Des Moines, IA 50392.

There are no nonemployer contributing entities, as defined by GASB Statement No. 68, for this plan.

There are no special funding situations, as defined by GASB Statement No. 68, for this plan.

Plan Administration

The plan is administrated by the Plan Trustees named by the Tullahoma Board of Education. The Trustees consist of the Chairman of the Board, the Superintendent, and the Director of Personnel.

Plan membership

Measurement Period Ending	December 31, 2015
Fiscal Year Ending	<u>June 30, 2016</u>
Active plan members	94
Inactive plan members entitled to but not yet receiving benefits	33
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	<u>12</u>
Total	<u><u>139</u></u>

Benefits provided

Participants must complete 1,000 hours of service and be at least age 18 to be eligible to join the plan.

Normal retirement occurs upon reaching age 65 and completing one year of service. Monthly benefits are equal to 2.3% of average compensation times accrual service. Average compensation is the average of monthly compensation for the 60 highest consecutive compensation dates. In accordance with federal regulations, participants are always fully vested upon reaching their normal retirement date.



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

**(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)**

Early retirement is available upon reaching age 55 and completing 5 years of vesting service (measured by plan participation). Monthly benefits are calculated using the accrued benefit on retirement date and an actuarially determined reduction factor.

Death benefits are available to participants that are fully or partially vested in an accrued benefit. For a participant age 55 or older, the single-sum death benefit will be equal to the present value of his vested accrued benefit but not less than his required contribution account. If a participant dies prior to age 55, the single-sum death benefit will be equal to his required contribution account. Required contribution accrued benefit is defined as the amount of a participants required contribution account converted to a monthly straight life benefit using UP-1984 mortality without age setback and interest of 5%. Required contribution account is defined as a participant's required contributions with 5% interest per annum compounded annually.

The amount of disability benefits is defined as a monthly pension payable at normal retirement equal to the participant's accrued monthly pension. A participant must have completed 10 years of service at the date of disability in order to be eligible for disability benefits.

Any employee who terminates after completion of at least 5 years of service and before eligibility for normal retirement or early retirement shall be entitled to the normal retirement benefit, multiplied by the vesting percentage, with income deferred until normal retirement age. A year of vesting shall be credited for each year during which the employee is credited with 1,000 hours of service.

There have been no changes in plan provisions during the measurement period.

There have been changes in plan provision between the December 31, 2015 measurement date and the fiscal year end due to amendment that changed the plan design to 1.5% of Average Compensation multiplied by Accrual Service credited on and after January 1, 2016. The impact of this change on Net Pension Liability is \$(1,049,740).

**Contributions**

Contributions for employees are established in the statutes governing the Plan and may only be changed by the Plan Trustees. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation Report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. Employees are currently required to contribute 3.00% of salary. The actuarially determined employer contribution for the measurement period ending December 31, 2014 is \$583,976 and the expected employee contributions are \$75,865. The actuarially determined employer contribution for the measurement period ending December 31, 2015 is \$764,403 and the expected employee contributions are \$82,107. The actuarially determined employer contribution for the upcoming measurement period ending December 31, 2016 is \$601,116 and the expected employee contributions are \$79,006. The actuarially determined employer contribution for the fiscal year ending June 30, 2015 is \$674,190 and the expected employee contributions are \$78,986.

**Net Pension Liability (Assets)**

Net pension liability (assets) was measured as of December 31, 2015, and the total pension liability used to calculate net pension liability (assets) was determined by an actuarial valuation as of that date.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Cost Method

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earning between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected services.

Measurement Date

A measurement period of January 1, 2015 to December 31, 2015 has been used for the plan year ending December 31, 2015 for the fiscal year ending June 30, 2016 for GASB 68 reporting. The net pension liability reported for fiscal year end of June 30, 2016 was measured as of December 31, 2015, using the total pension liability that was determined by an actuarial valuation as of December 31, 2015.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Actuarial assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% increase per year
Wage Base Increases	3.25% per year Real wage growth combined with inflation assumption indicates an economic assumption of social security national wage in pension plan valuations. Based on historical real growth in National Average Wages (from 1951) and Social Security estimate of around 1%, our best estimate places this assumption in the range of 0.75% to 1.25% above inflation.
Long-Term Rate of Return on Plan Assets	6.50% The interest rate is developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of board asset classes' arithmetic returns of the plan's target asset allocation, and then converted to the geometric under lognormal distribution assumption.
Mortality	Rates: Total mortality rates from SOA RP-2014 study Mortality Improvement: RPEC_2014_v2011 model with following assumptions: a) Convergence period of 10-years b) Long-term mortality improvement is the sex-distinct and the age-based assumption calibrated to the annual improvement averages, for the period 2010-2088 published in the Social Security Administration (SSA) Trustees report for 2014.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

The expected long-term rate of return assumption as of December 31, 2015 is 6.50%. The actual weighted average asset allocation for the four quarterly dates from March 31, 2015 to December 31, 2015 is used as an approximation of the plan's target asset allocation over the upcoming period, and is shown below:

<b>Asset Class</b>	<b>Expected Arithmetic Return</b>	<b>Expected Geometric Return</b>	<b>Target Allocation</b>
US Equity - Large Cap	8.80%	7.45%	26.95%
US Equity - Mid Cap	9.10%	7.45%	3.09%
US Equity - Small Cap	9.55%	7.45%	3.16%
Non-US Equity	9.20%	7.45%	9.92%
REITs	8.35%	6.55%	0.97%
Real Estate (direct property)	6.30%	5.95%	5.46%
TIPS	4.10%	3.90%	1.45%
Core Bond	4.25%	4.15%	36.20%
High Yield	6.30%	5.90%	12.80%
			100.00%
Exp LTROA (arithmetic mean)			6.70%
Portfolio Standard Deviation			8.78%
40th percentile			5.72%
45th percentile			6.03%
Expected Compound Return			6.34%
55th percentile			6.64%
60th percentile			6.95%
Equity/Fixed Income/Other			43% / 50% / 6%

**Basis used to determine expected long-term return on plan assets**

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20-30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

**Capital market modeling assumptions**

The Capital Market Assumptions used in our model were developed focusing on forward-looking market indicators and valuation models, as well as utilizing the analysis of historical data and trends, the outlook and forecasts from credible economic studies, and investment expert opinions.

Discount rate

The discount rate used to determine the end of period Total Pension Liability is 6.50%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2015 to 2072. Benefit payments after 2072 are projected to be \$0.

The long-term rate of return of 6.50% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.98% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the December 31, 2015 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

**Changes in the Net Pension Liability**

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
<b>Balance at 1/1/15</b>	\$ 9,350,199	\$ 4,555,841	\$ 4,794,358
<b>Changes for the year:</b>			
Service cost	350,647	-	350,647
Interest	620,656	-	620,656
Benefit payments	(557,590)	(557,590)	-
Differences between expected and actual experience	(158,673)	-	(158,673)
Changes in assumptions	(17,880)	-	(17,880)
Changes in benefit terms	(1,049,740)	-	(1,049,740)
Contributions-employees	-	81,523	(81,523)
Contributions-employer	-	801,523	(801,523)
Contributions-other	-	-	-
Net investment income	-	(54,575)	54,575
Administrative expense	-	(39,181)	39,181
Other expenses	-	-	-
<b>Net changes</b>	<b>(812,580)</b>	<b>231,700</b>	<b>(1,044,280)</b>
<b>Balance at 12/31/15</b>	<b>\$ 8,537,619</b>	<b>\$ 4,787,541</b>	<b>\$ 3,750,078</b>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Tullahoma City Schools calculated using the discount rate of 6.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Tullahoma City Schools's proportionate share of the net pension liability (asset)	\$ 4,200,108	\$ 3,750,078	\$ 3,327,645

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Pension expense

The pension expense for the fiscal year ended June 30, 2016 is \$(232,010).

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,097	\$ (133,285)
Effects of changes in assumptions	643,037	(15,019)
Net difference between projected and actual earnings on pension plan investments	331,165	-
Contributions subsequent to the measurement date as of December 31, 2015	526,938	-
Total	<u>\$ 1,595,237</u>	<u>\$ (148,304)</u>

The amount shown above for "Contributions subsequent to the measurement date as of December 31, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2017	\$	201,352
2018		201,352
2019		201,354
2020		188,871
2021		115,441
Thereafter		11,625

**Payable to the Pension Plan**

At June 30, 2016, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCSDBP) required at the year ended June 30, 2016.

(2) Teacher Legacy Pension Plan of TCRS

**General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the System are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

**(2) Teacher Legacy Pension Plan of TCRS (continued)**

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the System for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$1,189,281, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liabilities (assets).* At June 30, 2016, the System reported a liability of \$144,756 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability was based on System's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 the System's proportion was 0.353380 percent. The proportion measured as of June 30, 2014 was 0.354096 percent.

*Negative pension expense.* For the year ended June 30, 2016, Tullahoma City Schools recognized negative pension expense of \$149,163



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(2) Teacher Legacy Pension Plan of TCRS (continued)

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 116,173	\$ 2,253,155
Net difference between projected and actual earnings on pension plan investments	2,613,847	3,548,440
Contributions subsequent to the measurement date as of June 30, 2015	1,189,281	134,760
Total	<u>\$ 3,919,301</u>	<u>\$ 5,936,355</u>

Tullahoma City Schools employer contributions of \$1,189,281, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (983,700)
2018	(983,700)
2019	(983,700)
2020	199,113
2021	(454,348)
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost -of Living Adjustment	2.5 percent

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(2) Teacher Legacy Pension Plan of TCRS (continued)

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(2) Teacher Legacy Pension Plan of TCRS (continued)

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Tullahoma City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Tullahoma City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Tullahoma City Schools' proportionate share of the net pension liability (asset)	\$ 9,869,003	\$ 144,756	\$ (7,905,773)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2016, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCRS) required at the year ended June 30, 2016.

(3) Teacher Retirement Plan of TCRS

**General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the System are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

**(3) Teacher Retirement Plan of TCRS (continued)**

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year.

The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the System for the year ended June 30, 2016 to the Teacher Retirement Plan were \$53,349, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liabilities (assets).* At June 30, 2016, the System reported an asset of \$17,124 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The System's proportion of the net pension asset was based on System's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 the System's proportion was 0.353380 percent. The proportion measured as of June 30, 2014 was 0.425648 percent.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(3) Teacher Retirement Plan of TCRS (continued)

*Pension expense.* For the year ended June 30, 2016, the System recognized pension expense of \$22,441.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,573
Net difference between projected and actual earnings on pension plan investments	1,384	-
Contributions subsequent to the measurement date as of June 30, 2015	53,349	-
Total	<u>\$ 54,733</u>	<u>\$ 5,573</u>

Tullahoma City Schools employer contributions of \$53,349, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (118)
2018	(118)
2019	(118)
2020	(118)
2021	(464)
Thereafter	(3,253)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(3) Teacher Retirement Plan of TCRS (continued)

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost -of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		<b>100.00%</b>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(3) Teacher Retirement Plan of TCRS (continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents the System's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the System's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Tullahoma City Schools' proportionate share of the net pension liability (asset)	\$ 3,036	\$ (17,124)	\$ 31,909

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2016, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCRS) required at the year ended June 30, 2016.

(4) State of Tennessee Defined Contribution Plan

All teachers hired on or after July 1, 2014 are required to participate in a separately managed defined contribution plan referred to as the State of Tennessee 401(k) Deferred Compensation Program in addition to the multiple-employer defined benefit pension plan administered by TCRS. This plan is administered by Great West Life & Annuity Insurance Company. Investment decisions on contributions to the plan are controlled by the teacher participant. Teachers are immediately 100% vested in the plan. An employer contribution equal to 5% of the teacher's compensation is made by System. Teachers are automatically enrolled in the plan when hired with an employee contribution rate of 2%. Teachers have the ability to opt out of employee contribution portion within 30 days of hire date. Teachers may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. For the year ended June 30, 2016, the System contributions to the plan totaled \$66,686 and employee contributions were \$29,408.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (continued)**

**Business-type Activities:**

The Tullahoma Utilities Board has a defined contribution plan "Tullahoma Utilities Board Employees' Pension Trust" covering all of its eligible employees. The Board is the plan's administrator. The Board has the right to amend or terminate the plan at any time. This plan includes all full-time employees that have attained age 21, and have worked 1,000 hours in a twelve-month period to be eligible on July 1 of that plan year. The employer's costs are determined by the individual level premium cost method using a 6% interest assumption. The financial information for the year ended June 30, 2016 is as follows:

	<u>Target plan</u>	<u>Money Purchase plan</u>
Employee contribution	\$ 50,873	\$ 153,812
Employer contribution	298,435	292,674
Total plan assets as of June 30, 2016	6,683,119	3,762,766

Employee contributions to the plan are required annually in accordance with the plan document. Participating employees must contribute a minimum of 5% of their compensation not to exceed 50% of the total required contribution.

The payroll for employees covered under the plan for the year ended June 30, 2016 was \$4,126,082. Total payroll was \$4,570,116.

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**Primary Government:**

Governmental Activities:

**A. City Plan**

Plan Description

The City's current single-employer defined benefit post employment healthcare plan only provides health insurance benefits, under a fully insured health plan, to eligible retired City employees and their beneficiaries. There are currently only 6 employees that receive post employment benefits. Benefits for the year ended June 30, 2016 totaled \$43,759. The City currently funds the benefits on a pay-as-you-go basis. The benefits of post employment obligations will be reviewed by the City in the future allowing for any improvements or changes to the present plan. The report may be obtained by contacting the finance director for the City.

Funding Policy

The City intends to continue its policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB Statement No. 45. The General Fund has been used to liquidate the OPEB obligation in prior years.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period of not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

Components of the Net OPEB Obligation

Annual required contribution (ARC)	\$ 169,240
Interest on net OPEB obligation	23,623
Net OPEB obligation amortization adjustment to the ARC	<u>(32,229)</u>
Annual OPEB cost	160,634
Contributions made	<u>(43,759)</u>
Increase in net OPEB obligation	<u><u>\$ 116,875</u></u>
Net OPEB obligation - July 1, 2015	\$ 599,995
Net OPEB obligation - June 30, 2016	\$ 716,870

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-2016 is as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2011	\$ 141,633	37.07%	\$ 187,101
6/30/2012	143,108	19.97%	301,626
6/30/2013	149,755	21.12%	419,759
6/30/2014	154,296	31.82%	524,964
6/30/2015	160,634	50.58%	599,995
6/30/2016	160,634	27.24%	716,870

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,536,349, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,536,349. The covered payroll (annual payroll of active employees covered by the plan) was \$5,049,574 and the ratio of the UAAL to the covered payroll was 30.43%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

In the July 1, 2014 actuarial valuation, the projected unit credit with liner proration to decrements actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (1.50% real rate of return plus 3% inflation), net of administrative expenses. This assumption is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date. Healthcare cost trend rates have been reset to an initial rate of 9% decreasing by 0.5% annually to an ultimate rate of 5% after 8 years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level dollar of pay over thirty years on an open group.

**B. Tullahoma Board of Education**

Certified employees of Tullahoma City Schools belonging to the Tennessee Consolidated Retirement System, who have a minimum of ten years of experience with the City Schools in a certified position, who retire with at least 30 years of creditable service, or who retire having reached the age of 60 years with a minimum of ten years of creditable service prior to the beginning of the next contract year, may elect to continue in the City Schools' medical, dental, and life insurance programs. The ten-year minimum employment for certified employees will be waived for certified staff employed prior to the 1999-2000 school year. Non-certified employees of the City Schools who are age 62 with at least 25 years of service in the City Schools, and who meet requirements of the insurance companies for continuation of coverage, may elect to continue in the City Schools' medical, dental, and life insurance programs. The City Schools will assume the cost of the benefit until age 65 or until covered by Medicare or Medicaid if under the age of 65.

The retiring employees may have the same options for the insurance package as current employees, and the City Schools will assume the same percentage of costs for the package as for the current employees. The City Schools currently pays 100% of premiums. For the year ended June 30, 2016, the City Schools paid medical insurance benefits for 36 eligible retirees totaling \$136,788, dental for 36 eligible retirees totaling \$9,547, vision and life insurance benefits for 24 and 36 eligible retirees totaling \$2,140 and \$3,240, respectively. The General Purpose School Fund has been used to liquidate the OPEB obligation in prior years.

Non-certified employees of Tullahoma City Schools who are age 60 with at least 25 years of service in Tullahoma City Schools, and who meet requirements of the insurance companies for continuation of coverage, may elect to continue in the Tullahoma City Schools medical, dental, and life insurance programs. Tullahoma City Schools will assume the cost of the benefit until age 65 or until covered by Medicare or Medicaid if under the age of 65. The retiring employee may have the same options for the insurance package, and the City Schools will assume the same percentage of costs for the package as for the current employees. A written agreement delineating the conditions will be required between the retiring employee and Tullahoma City Schools.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

Information concerning the plan follows:

Components of the Net OPEB Obligation:

Annual required contribution (ARC)	\$ 348,667
Interest on net OPEB obligation	20,265
Net OPEB obligation amortization adjustment to the ARC	<u>(27,045)</u>
Annual OPEB cost	341,887
Contributions made	<u>(151,715)</u>
Increase in net OPEB obligation	<u><u>\$ 190,172</u></u>
Net OPEB obligation - July 1, 2015	\$ 605,633
Net OPEB obligation - June 30, 2016	\$ 795,805

The Tullahoma City Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-2016 is as follows:

<b><u>Fiscal Year</u></b> <b><u>Ended</u></b>	<b><u>Annual</u></b> <b><u>OPEB Cost</u></b>	<b><u>OPEB Cost</u></b> <b><u>Contributed</u></b>	<b><u>Net OPEB</u></b> <b><u>Obligation</u></b>
6/30/2011	\$ 11,143	56.28%	\$ 4,872
6/30/2012	11,143	51.58%	10,268
6/30/2013	447,823	46.24%	251,035
6/30/2014	447,978	55.52%	605,633
6/30/2015	341,887	54.57%	605,633
6/30/2016	341,887	44.38%	795,805

**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,141,069, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,141,069. The covered payroll (annual payroll of active employees covered by the plan) was \$19,300,000 and the ratio of the UAAL to the covered payroll was 16.27%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (1.50% real rate of return plus 3% inflation), net of administrative expenses. This assumption is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 7.50% initially, reduced by the decrements to an ultimate ratio of 5% after 5 years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability as a level period for 30 years.

**Business-type Activities:**

The Tullahoma Utilities Board does not provide any post-retirement benefits. As part of the retirement benefits the Board adopted a plan in the current year whereas the employee receives 25% of their accumulated sick leave with the amount being paid into their pension fund. In addition, those employees that have 10 years or more service and retire between age 62 and 65 receive the amount equal to the "employee only" monthly health insurance premium for every whole month of early retirement separation prior to reaching age 65. No early retirement separation will be paid to employees who retire prior to age 62.

**NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS**

**A. Federal and State Financial Assistance**

The City has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the programs, the City believes that any required reimbursements would not be material to the basic financial and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

**B. Other Commitments**

**Primary Government:**

**Governmental Activities:**

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired and a liability has been incurred and (2) the amount of loss can be reasonably estimated. Settlement of all potential claims from various lawsuits in which the City is involved would not, in management's estimation, materially affect the financial statements of the City.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

**Business-type Activities:**

In conjunction with the Tennessee Valley Authority, the Electric System makes loans to individuals wishing to make their homes more energy efficient. The Electric System is required to use the funds, including repayments, in making further loans, or to reduce the advances to the Electric System by TVA.

At June 30, 2016, Tullahoma Utilities Board had several construction projects in process. The Board takes bids for these projects and awards construction contracts to various companies.

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Board was involved in two legal proceedings and claims, which arose in the normal course of business.

One course of action is against a Company that failed to pay for oil obtained from certain electrical equipment that was being decommissioned by Tullahoma Utilities Board. The Company filed a counter suit against the Board seeking to recover the damage because the oil allegedly did not meet certain environmental standards.

The counter suit is being defended by the Board's insurance carrier under a reservation of rights. An Order dismissing the claim was submitted to the Administrative Law Judge for entry.

**Component Unit:**

The Tullahoma Municipal Airport Authority has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the programs, management believes that any required reimbursements would not be material to the financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

The Authority also has several construction projects in progress partially funded by grants.

**NOTE 10 - SUBSEQUENT TO YEAR END**

After June 30, 2016 Tullahoma Utility Board converted to the Tullahoma Utility Authority, becoming a component unit of the City rather than a proprietary fund of the City.

**NOTE 11 - INTERFUND TRANSACTIONS**

Transfers are used (1) to move revenue from the Education Debt Service Fund to the General Debt Service Fund as debt service principal and interest payments become due, (2) to move amounts from Capital Project Funds to the General Purpose School Fund as required, (3) to move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (4) for payment in lieu of taxes from the Electric System to the General Fund.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 11 – INTERFUND TRANSACTIONS (Continued)**

Interfund transfers for the year ended June 30, 2016 consist of the following:

Transferred To	Transferred From			
	General Fund	Non-major Governmental Funds	Electric System	Total
General Fund	\$ -	\$ -	\$ 533,886	\$ 533,886
General Purpose School	8,627,424	-	-	8,627,424
General Debt Service	3,678,147	-	-	3,678,147
Non-major Governmental Funds	1,803,806	2,518,785	-	4,322,591
Water System	142,702	-	-	142,702
Total	<u>\$ 14,252,079</u>	<u>\$ 2,518,785</u>	<u>\$ 533,886</u>	<u>\$ 17,304,750</u>

Interfund receivables and payables and amounts due to and due from funds of the primary government at June 30, 2016 are attributable to unsettled balances at year-end primarily for charges and transfers between funds. The City intends to repay all interfund liabilities within the next fiscal year. Balances at June 30, 2016 are as follows:

Due To	Due From					
	General Fund	Non-major Governmental Funds	Fiber System	Water System	Wastewater System	Total
General Purpose School	\$ 432,814	\$ 268,000	\$ -	\$ -	\$ -	\$ 700,814
General Debt Service	-	9,607	-	-	-	9,607
Non-major Governmental Funds	157,047	-	-	-	-	157,047
Electric System	-	-	779,102	6,322	8,060	793,484
Water System	-	-	645	-	2,411	3,056
Fiber System	-	-	-	109	109	218
Wastewater System	-	-	-	2,571	-	2,571
Total	<u>\$ 589,861</u>	<u>\$ 277,607</u>	<u>\$ 779,747</u>	<u>\$ 9,002</u>	<u>\$ 10,580</u>	<u>\$ 1,666,797</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

**City of Tullahoma Pension Plan**  
Unaudited - See Accompanying Accountants' Report

	<b>2015</b>
<b>Total pension liability</b>	
Service cost	\$ 56,571
Interest	4,243
Benefit payments	-
Differences between actual and expected experience	433
Change of assumptions	-
Changes in benefit terms	-
<b>Net change in total pension liability</b>	<b>61,247</b>
<b>Total pension liability, beginning of period</b>	<b>-</b>
<b>Total pension liability, end of period (a)</b>	<b>\$ 61,247</b>
 <b>Fiduciary net position</b>	
Employee contributions	\$ 30,332
Employer contributions	26,239
Other contributions	-
Net investment income	1,002
Benefit payments	-
Administrative expenses	(565)
Other expenses	-
Other deductions	-
<b>Net change in fiduciary net position</b>	<b>57,008</b>
<b>Fiduciary net position, beginning of period</b>	<b>-</b>
<b>Fiduciary net position, end of period (b)</b>	<b>\$ 57,008</b>
 <b>Net Pension Liability, (a) – (b)</b>	 <b>\$ 4,239</b>
 <b>Fiduciary net position as a percentage of total pension liability</b>	 <b>93.08%</b>
 <b>Covered employee payroll</b>	 <b>\$ 524,775</b>
 <b>Net pension liability (asset) as a percentage of covered employee payroll</b>	 <b>0.81%</b>

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**City of Tullahoma Pension Plan**  
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	2015	2016
Actuarially determined contribution	\$ 30,332	\$ 162,439
Contribution in relation to the actuarially determined contribution	30,332	162,439
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 524,775	\$ 2,810,358
Contributions as a percentage covered-employee payroll	5.78%	5.78%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**NOTES TO SCHEDULE**

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	0 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**Tulahoma City Schools Defined Benefit Plan (TCSDBP)**  
Unaudited - See Accompanying Accountants' Report

<b>Measurement Period Ending</b>	<b>12/31/2014</b>	<b>12/31/2015</b>
<b>Fiscal Year Ending</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
<b>Total pension liability</b>		
Service cost	\$ 282,987	\$ 350,647
Interest	538,503	620,656
Benefit payments	(391,229)	(557,590)
Differences between actual and expected experience	130,781	(158,673)
Change of assumptions	893,733	(17,880)
Changes in benefit terms	-	(1,049,740)
<b>Net change in total pension liability</b>	<b>1,454,775</b>	<b>(812,580)</b>
<b>Total pension liability, beginning of period</b>	<b>7,895,424</b>	<b>9,350,199</b>
<b>Total pension liability, end of period (a)</b>	<b>\$ 9,350,199</b>	<b>\$ 8,537,619</b>
<b>Fiduciary net position</b>		
Employee contributions	\$ 90,214	\$ 81,523
Employer contributions	529,211	801,523
Other contributions	-	-
Net investment income	228,690	(54,575)
Benefit payments	(391,229)	(557,590)
Administrative expenses	(33,601)	(39,181)
Other expenses	-	-
Other deductions	-	-
<b>Net change in fiduciary net position</b>	<b>423,285</b>	<b>231,700</b>
<b>Fiduciary net position, beginning of period</b>	<b>4,132,556</b>	<b>4,555,841</b>
<b>Fiduciary net position, end of period (b)</b>	<b>\$ 4,555,841</b>	<b>\$ 4,787,541</b>
<b>Net Pension Liability (asset), (a) – (b)</b>	<b>\$ 4,794,358</b>	<b>\$ 3,750,078</b>
<b>End of period assumptions</b>		
Long-term rate of return	6.50%	6.50%
Discount rate	6.50%	6.50%
Salary increase assumption	3.00%	3.00%
Retirement age assumption	NRA	NRA
Plan changes	none	none
<b>Fiduciary net position as a percentage of total pension liability</b>	<b>48.72%</b>	<b>58.08%</b>
<b>Covered employee payroll</b>	<b>\$ 2,738,273</b>	<b>\$ 2,717,441</b>
<b>Net pension liability (asset) as a percentage of covered employee payroll</b>	<b>175.09%</b>	<b>138.00%</b>

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Tullahoma City Schools Defined Benefit Plan (TCSDBP)**  
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution (ADC)	\$ 603,719	\$ 674,190	\$ 652,617
ER Contributions received by the plan	<u>680,909</u>	<u>554,818</u>	<u>652,617</u>
Contribution deficiency/(excess)	<u>\$ (77,190)</u>	<u>\$ 119,372</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 2,530,326	 \$ 2,753,902	 \$ 2,787,440
 ER Contributions received as a percentage of covered-employee payroll	 23.86%	 24.48%	 23.41%
<b>ADC assumptions</b>			
Long-term rate of return on assets	6.50%	6.50%	6.50%
Interest rate	6.50%	6.50%	6.50%
Salary increase assumption	3.00%	3.00%	3.00%
COLA increase assumption	0.00%	0.00%	0.00%
Retirement age assumption	NRA	NRA	NRA
Plan changes	none	none	none

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF INVESTMENT RETURNS**  
**Tullahoma City Schools Defined Benefit Plan (TCSDBP)**  
 Unaudited - See Accompanying Accountants' Report

<b>Measurement Period Ending</b>	<b>12/31/2014</b>	<b>12/31/2015</b>
<b>Fiscal Year Ending</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
Annual money-weighted rate of return on plan investments, net of investment expense	5.30%	-1.13%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET**  
**Teacher Legacy Pension Plan of TCRS**  
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30\*

	<u><b>2015</b></u>	<u><b>2016</b></u>
Proportion of the net pension liability (asset)	0.354096%	0.353380%
Proportionate share of the net pension liability (asset)	\$ (57,539)	\$ 144,756
Covered-employee payroll	\$ 13,898,234	\$ 13,228,797
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.414002%	1.094252%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Teacher Legacy Pension Plan of TCRS**  
 Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required	\$ 1,234,163	\$ 1,272,824	\$ 1,189,281
Contributions in relation to the contractually required contribution	<u>1,234,163</u>	<u>1,272,824</u>	<u>1,189,281</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,898,234	\$ 14,079,911	\$ 13,155,766
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET**  
**Teacher Retirement Plan of TCRS**  
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30\*

	<u><b>2016</b></u>
Proportion of the net pension liability (asset)	0.425648%
Proportionate share of the net pension liability (asset)	\$ (17,124)
Covered-employee payroll	\$ 884,387
Proportionate share of the net pension asset as a percentage of its covered-employee payroll	-1.940000%
Plan fiduciary net position as a percentage of the total pension liability	127.46%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Teacher Retirement Plan of TCRS**  
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	<u>2015</u>	<u>2016</u>
Contractually required	\$ 22,100	\$ 53,349
Contributions in relation to the contractually required contribution	<u>35,375</u>	<u>53,349</u>
Contribution deficiency (excess)	<u>\$ (13,275)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 884,387	\$ 1,333,734
Contributions as a percentage of covered-employee payroll	4.00%	4.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**CITY OF TULLAHOMA, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SELECTED PENSION INFORMATION**

Unaudited - See Accompanying Accountants' Report

**SCHEDULE OF FUNDING PROGRESS - City of Tullahoma Other Post Employment Retirement Benefits**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b ) - ( a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ -	\$ 1,453,099	\$ 1,453,099	0%	\$ 4,657,403	31.20%
07/01/10	-	1,353,250	1,353,250	0%	5,150,789	26.27%
07/01/12	-	1,528,759	1,528,759	0%	5,882,211	25.99%
07/01/14	-	1,536,349	1,536,349	0%	5,049,574	30.43%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - City of Tullahoma Other Post Employment Retirement Benefits**

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	OPEB Obligation
2011	\$ 143,108	37.07%	\$ 187,101
2012	143,108	19.97%	301,626
2013	154,296	21.12%	419,759
2014	154,296	31.82%	524,964
2015	169,240	50.58%	599,995
2016	169,240	50.58%	716,870

**SCHEDULE OF FUNDING PROGRESS - Tullahoma Board of Education Other Post Employment Retirement Benefits**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b ) - ( a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/10	\$ -	\$ 3,845,307	\$ 3,845,307	0%	\$ 20,000,000	19.23%
07/01/12	-	3,692,831	3,692,831	0%	17,400,000	21.22%
07/01/14	-	3,141,069	3,141,069	0%	19,300,000	16.27%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - Tullahoma Board of Education Other Post Employment Retirement Benefits**

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	OPEB Obligation
06/30/11	\$ 11,143	56.28%	\$ 4,872
06/30/12	11,143	51.58%	10,268
06/30/13	447,978	46.24%	251,035
06/30/14	447,978	55.52%	450,330
06/30/15	348,667	54.57%	605,633
06/30/16	348,667	44.38%	795,805



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest	\$ 237	\$ -	\$ 237	\$ -	\$ -	\$ 237
EXPENDITURES:						
Principal retirement	7,258,000	-	7,258,000	2,613,903	7,258,000	-
Interest	984,148	-	984,148	1,449,105	1,394,107	409,959
Fiscal charges	29,235	-	29,235	3,000	30,536	1,301
Total expenditures	8,271,383	-	8,271,383	4,066,008	8,682,643	411,260
Excess (deficiency) of revenues over (under) expenditures	(8,271,146)	-	(8,271,146)	(4,066,008)	(8,682,643)	411,497
OTHER FINANCING SOURCES (USES):						
Note issuance	4,585,000	-	4,585,000	-	4,585,000	-
Transfers in	3,678,147	-	3,678,147	4,125,105	4,062,404	(384,257)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	8,263,147	-	8,263,147	4,125,105	8,647,404	(384,257)
Net change in fund balance	(7,999)	-	(7,999)	59,097	(35,239)	27,240
Fund balance, July 1, 2015	235,905	-	235,905	235,905	235,905	-
Fund balance, June 30, 2016	\$ 227,906	\$ -	\$ 227,906	\$ 295,002	\$ 200,666	\$ 27,240

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	Special Revenue Funds							Debt Service Funds	Capital Projects Funds		
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Total Non-major Governmental Funds
ASSETS:											
Cash and cash equivalents	\$ 726	\$ 563,194	\$ 175,297	\$ 290,340	\$ 96,193	\$ 564,236	\$ 521,566	\$ 138,871	\$ 3,320,068	\$ 1,142,126	\$ 6,812,617
Investments	-	100,480	12,876	-	-	-	-	-	-	-	113,356
Receivables	-	539	11,879	59,100	-	-	-	-	-	12,500	84,018
Allowance for doubtful accounts	-	-	(2,021)	(16,755)	-	-	-	-	-	-	(18,776)
Notes receivable	-	-	-	-	-	-	1,285,568	62,648	-	-	1,348,216
Due from other governments	462,295	11,702	-	-	-	-	-	-	-	418,504	892,501
Due from other funds	-	-	-	-	-	-	-	-	157,047	-	157,047
Prepaid expenses	-	-	-	150	-	-	-	-	-	-	150
Total assets	<u>\$ 463,021</u>	<u>\$ 675,915</u>	<u>\$ 198,031</u>	<u>\$ 332,835</u>	<u>\$ 96,193</u>	<u>\$ 564,236</u>	<u>\$ 1,807,134</u>	<u>\$ 201,519</u>	<u>\$ 3,477,115</u>	<u>\$ 1,573,130</u>	<u>\$ 9,389,129</u>
LIABILITIES:											
Accrued liabilities	\$ -	\$ -	\$ -	\$ 32,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,750
Accrued payroll	62,496	-	-	-	-	-	-	-	-	-	62,496
Accounts payable	2,162	-	-	58,457	-	-	-	-	-	56,027	116,646
Due to other funds	268,000	-	-	-	-	-	-	-	9,607	-	277,607
Total liabilities	<u>332,658</u>	<u>-</u>	<u>-</u>	<u>91,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,607</u>	<u>56,027</u>	<u>489,499</u>
DEFERRED INFLOWS OF RESOURCES:											
Unavailable revenue - loans	-	-	-	-	-	-	1,285,568	62,648	-	-	1,348,216
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,285,568</u>	<u>62,648</u>	<u>-</u>	<u>-</u>	<u>1,348,216</u>
FUND BALANCES:											
Nonspendable:											
Prepaid items	-	-	-	150	-	-	-	-	-	-	150
Restricted for:											
Debt service	-	-	-	-	-	-	-	-	3,467,508	-	3,467,508
Capital improvements	-	-	-	-	-	-	-	-	-	1,517,103	1,517,103
Drug enforcement	-	-	-	-	96,193	-	-	-	-	-	96,193
Grant projects	130,363	-	-	-	-	-	521,566	138,871	-	-	790,800
School operations	-	675,915	-	-	-	-	-	-	-	-	675,915
Solid waste	-	-	-	241,478	-	-	-	-	-	-	241,478
Extended school	-	-	198,031	-	-	-	-	-	-	-	198,031
Committed to:											
Equipment replacement	-	-	-	-	-	564,236	-	-	-	-	564,236
Total fund balances	<u>130,363</u>	<u>675,915</u>	<u>198,031</u>	<u>241,628</u>	<u>96,193</u>	<u>564,236</u>	<u>521,566</u>	<u>138,871</u>	<u>3,467,508</u>	<u>1,517,103</u>	<u>7,551,414</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 463,021</u>	<u>\$ 675,915</u>	<u>\$ 198,031</u>	<u>\$ 332,835</u>	<u>\$ 96,193</u>	<u>\$ 564,236</u>	<u>\$ 1,807,134</u>	<u>\$ 201,519</u>	<u>\$ 3,477,115</u>	<u>\$ 1,573,130</u>	<u>\$ 9,389,129</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds								Debt Service Fund	Capital Projects Funds	
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Total Non-major Governmental Funds
REVENUES:											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 354,375	\$ -	\$ 354,375
Grants	2,267,829	1,603,879	-	-	-	-	-	-	-	751,759	4,623,467
Charges for services	-	541,199	319,830	904,916	-	-	-	-	-	-	1,765,945
Investment income	-	1,815	339	328	144	376	14,905	505	15,605	880	34,897
Note repayments	-	-	-	-	-	-	278,760	28,776	-	-	307,536
Sale of property	-	-	-	-	-	14,589	-	-	-	-	14,589
Other revenues	-	2,500	1,044	-	26,176	10,000	5	83	-	20,692	60,500
Total revenues	2,267,829	2,149,393	321,213	905,244	26,320	24,965	293,670	29,364	369,980	773,331	7,161,309
EXPENDITURES:											
Current:											
Education:											
Regular education	880,007	-	-	-	-	-	-	-	-	-	880,007
Special education	1,274,369	-	-	-	-	-	-	-	-	-	1,274,369
Other student support	11,724	-	-	-	-	-	-	-	-	-	11,724
Instructional staff	1,691	-	-	-	-	-	-	-	-	-	1,691
Program costs	-	2,071,865	275,296	2,016,439	13,184	-	8,294	29	-	125,473	4,510,580
Debt service:											
Principal retirement	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	100,038	48,857	-	23,830	15,400	509,171	-	-	-	2,225,947	2,923,243
Loans disbursed	-	-	-	-	-	-	150,000	33,500	-	-	183,500
Total expenditures	2,267,829	2,120,722	275,296	2,040,269	28,584	509,171	158,294	33,529	-	2,351,420	9,785,114
Excess (deficiency) revenues over (under) expenditures	-	28,671	45,917	(1,135,025)	(2,264)	(484,206)	135,376	(4,165)	369,980	(1,578,089)	(2,623,805)
OTHER FINANCING SOURCES (USES):											
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	-	-
Issuance of notes	-	-	-	-	-	-	-	-	-	1,423,878	1,423,878
Reoffering premium	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	1,315,895	-	458,207	-	-	2,334,570	213,919	4,322,591
Transfers out	-	-	-	(161,673)	-	-	-	-	(2,357,112)	-	(2,518,785)
Total other financing sources	-	-	-	1,154,222	-	458,207	-	-	(22,542)	1,637,797	3,227,684
Net change in fund balances	-	28,671	45,917	19,197	(2,264)	(25,999)	135,376	(4,165)	347,438	59,708	603,879
Fund balances, July 1, 2015, as previously presented	130,363	647,244	152,114	222,431	98,457	590,235	365,190	143,036	3,120,070	1,455,692	6,924,832
Prior period adjustment (See Note 2)	-	-	-	-	-	-	21,000	-	-	1,703	22,703
Fund balances, July 1, 2015, as restated	130,363	647,244	152,114	222,431	98,457	590,235	386,190	143,036	3,120,070	1,457,395	6,947,535
Fund balances, June 30, 2016	\$ 130,363	\$ 675,915	\$ 198,031	\$ 241,628	\$ 96,193	\$ 564,236	\$ 521,566	\$ 138,871	\$ 3,467,508	\$ 1,517,103	\$ 7,551,414

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**SCHOOL FEDERAL AND STATE PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Intergovernmental:						
State and federal	\$ 2,267,829	\$ -	\$ 2,267,829	\$ 2,523,468	\$ 2,523,468	\$ (255,639)
Total revenues	2,267,829	-	2,267,829	2,523,468	2,523,468	(255,639)
<b>EXPENDITURES:</b>						
Regular education:						
Salaries	524,321	-	524,321	600,342	600,342	76,021
Payroll taxes	37,373	-	37,373	46,214	46,214	8,841
Benefits	132,583	-	132,583	175,906	175,906	43,323
Staff development	143,312	-	143,312	150,916	150,916	7,604
Supplies	35,631	-	35,631	47,805	47,805	12,174
Travel	612	-	612	612	612	-
Other	6,175	-	6,175	10,038	10,038	3,863
Total regular education	880,007	-	880,007	1,031,833	1,031,833	151,826
Special education:						
Salaries	869,997	-	869,997	929,436	929,436	59,439
Payroll taxes	56,818	-	56,818	60,746	60,746	3,928
Benefits	205,485	-	205,485	232,102	232,102	26,617
Contract services	102,250	-	102,250	102,500	102,500	250
Staff development	14,282	-	14,282	14,323	14,323	41
Supplies	21,568	-	21,568	28,038	28,038	6,470
Other	3,969	-	3,969	11,037	11,037	7,068
Total special education	1,274,369	-	1,274,369	1,378,182	1,378,182	103,813
Other student support:						
Travel	9,382	-	9,382	9,370	9,370	(12)
Other	2,342	-	2,342	2,343	2,343	1
Total other student support	11,724	-	11,724	11,713	11,713	(11)
Instructional staff:						
Travel	1,691	-	1,691	2,343	2,343	652
Total instructional staff	1,691	-	1,691	2,343	2,343	652
Capital outlay	100,038	-	100,038	99,397	99,397	(641)
Total expenditures	2,267,829	-	2,267,829	2,523,468	2,523,468	255,639
Net change in fund balance	-	-	-	-	-	-
Fund balance, July 1, 2015	130,363	-	130,363	130,363	130,363	-
Fund balance, June 30, 2016	\$ 130,363	\$ -	\$ 130,363	\$ 130,363	\$ 130,363	\$ -

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**SCHOOL FOOD SERVICES FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Intergovernmental:						
State and federal	\$ 1,603,879	\$ -	\$ 1,603,879	\$ 1,420,000	\$ 1,448,300	\$ 155,579
Charges for services	541,199	-	541,199	670,000	670,000	(128,801)
Interest income	1,815	-	1,815	2,000	2,000	(185)
Other revenues	2,500	-	2,500	-	-	2,500
Total revenues	2,149,393	-	2,149,393	2,092,000	2,120,300	29,093
<b>EXPENDITURES:</b>						
Current:						
Salaries	677,517	-	677,517	681,000	668,384	(9,133)
Payroll taxes	51,831	-	51,831	57,000	57,183	5,352
Benefits	156,688	-	156,688	239,000	205,000	48,312
Contract services	11,875	-	11,875	10,000	10,000	(1,875)
Maintenance and repairs	17,026	-	17,026	20,000	20,000	2,974
Travel	12,502	-	12,502	10,000	10,000	(2,502)
Supplies	1,035,762	-	1,035,762	920,000	989,650	(46,112)
Other	108,664	-	108,664	105,000	105,683	(2,981)
Capital outlay	48,857	-	48,857	50,000	54,400	5,543
Total expenditures	2,120,722	-	2,120,722	2,092,000	2,120,300	(422)
Net change in fund balance	28,671	-	28,671	-	-	28,671
Fund balance, July 1, 2015	647,244	-	647,244	647,244	647,244	-
Fund balance, June 30, 2016	<u>\$ 675,915</u>	<u>\$ -</u>	<u>\$ 675,915</u>	<u>\$ 647,244</u>	<u>\$ 647,244</u>	<u>\$ 28,671</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**EXTENDED SCHOOL PROGRAM FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Charges for services	\$ 319,830	\$ -	\$ 319,830	\$ 341,892	\$ 341,892	\$ (22,062)
Interest income	339	-	339	-	-	339
Other income	1,044	-	1,044	-	-	1,044
Total revenues	321,213	-	321,213	341,892	341,892	(20,679)
EXPENDITURES:						
Salaries	224,340	-	224,340	268,000	268,000	43,660
Payroll taxes	17,162	-	17,162	19,000	19,000	1,838
Benefits	17,399	-	17,399	23,000	23,000	5,601
Supplies	8,884	-	8,884	23,000	23,000	14,116
Other	7,511	-	7,511	8,892	8,892	1,381
Total expenditures	275,296	-	275,296	341,892	341,892	66,596
Net change in fund balance	45,917	-	45,917	-	-	45,917
Fund balance, July 1, 2015	152,114	-	152,114	152,114	152,114	-
Fund balance, June 30, 2016	<u>\$ 198,031</u>	<u>\$ -</u>	<u>\$ 198,031</u>	<u>\$ 152,114</u>	<u>\$ 152,114</u>	<u>\$ 45,917</u>

See accompanying accountants' report.



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**SOLID WASTE MANAGEMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 24,600	\$ 24,600	\$ (24,600)
Charges for services	904,916	-	904,916	954,929	954,929	(50,013)
Investment income	328	-	328	200	200	128
Other revenues	-	-	-	200	1,282	(1,282)
Total revenues	905,244	-	905,244	979,929	981,011	(75,767)
<b>EXPENDITURES:</b>						
Current:						
Salaries	698,094	-	698,094	760,496	725,648	27,554
Payroll taxes	51,066	-	51,066	60,022	59,731	8,665
Benefits	267,580	-	267,580	296,878	276,602	9,022
Telephone and utilities	1,085	-	1,085	800	1,300	215
Contract and professional	26,216	-	26,216	34,000	34,000	7,784
Repairs and maintenance	213,088	-	213,088	183,586	231,686	18,598
Travel and training	-	-	-	1,700	900	900
Supplies	25,357	-	25,357	19,843	27,243	1,886
Uniforms	6,217	-	6,217	10,700	7,200	983
Gas and oil	78,119	-	78,119	142,204	88,420	10,301
Parts and supplies	2,854	-	2,854	2,790	2,890	36
Operating insurance	64,645	-	64,645	73,627	67,962	3,317
Landfill	579,377	-	579,377	595,156	592,156	12,779
Other	2,741	-	2,741	23,500	3,623	882
Total program costs	2,016,439	-	2,016,439	2,205,302	2,119,361	102,922
Capital outlay	23,830	-	23,830	70,747	41,747	17,917
Total expenditures	2,040,269	-	2,040,269	2,276,049	2,161,108	120,839
Excess (deficiency) of revenues over (under) expenditures	(1,135,025)	-	(1,135,025)	(1,296,120)	(1,180,097)	45,072
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	1,315,895	-	1,315,895	1,315,985	1,315,985	(90)
Transfers out	(161,673)	-	(161,673)	(41,723)	(161,673)	-
Total other financing sources (uses)	1,154,222	-	1,154,222	1,274,262	1,154,312	(90)
Net change in fund balance	19,197	-	19,197	(21,858)	(25,785)	44,982
Fund balance, July 1, 2015	222,431	-	222,431	222,431	222,431	-
Fund balance, June 30, 2016	\$ 241,628	\$ -	\$ 241,628	\$ 200,573	\$ 196,646	\$ 44,982

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**DRUG ENFORCEMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Drug fines	\$ 10,509	\$ -	\$ 10,509	\$ 15,000	\$ 15,000	\$ (4,491)
Confiscated money	6,504	-	6,504	6,500	6,500	4
Sale of confiscated equipment	6,071	-	6,071	2,500	6,000	71
Investment income	144	-	144	750	750	(606)
Other revenues	<u>3,092</u>	<u>-</u>	<u>3,092</u>	<u>-</u>	<u>3,000</u>	<u>92</u>
Total revenues	26,320	-	26,320	24,750	31,250	(4,930)
<b>EXPENDITURES:</b>						
Current:						
Salaries	3,377	-	3,377	2,000	3,923	546
Payroll taxes	258	-	258	232	299	41
Repairs and maintenance	-	-	-	1,000	-	-
Travel and training	2,707	-	2,707	1,000	2,710	3
Supplies	3,342	-	3,342	6,250	3,350	8
Other	3,500	-	3,500	8,000	7,400	3,900
Capital outlay	<u>15,400</u>	<u>-</u>	<u>15,400</u>	<u>20,000</u>	<u>28,800</u>	<u>13,400</u>
Total expenditures	28,584	-	28,584	38,482	46,482	17,898
Excess (deficiency) of revenues over (under) expenditures	(2,264)	-	(2,264)	(13,732)	(15,232)	12,968
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	13,732	15,232	(15,232)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	13,732	15,232	(15,232)
Net change in fund balance	(2,264)	-	(2,264)	-	-	(2,264)
Fund balance, July 1, 2015	<u>98,457</u>	<u>-</u>	<u>98,457</u>	<u>98,457</u>	<u>98,457</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ 96,193</u>	<u>\$ -</u>	<u>\$ 96,193</u>	<u>\$ 98,457</u>	<u>\$ 98,457</u>	<u>\$ (2,264)</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**UDAG FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Note repayments	\$ 278,760	\$ -	\$ 278,760	\$ 210,000	\$ 210,000	\$ 68,760
Investment income	14,905	-	14,905	500	500	14,405
Other	5	-	5	50	100	95
Total revenues	293,670	-	293,670	210,550	210,600	83,260
<b>EXPENDITURES:</b>						
Program cost	1,654	-	1,654	31,000	31,000	29,346
Sign grant	6,640	-	6,640	9,000	9,000	2,360
Industrial loans	150,000	-	150,000	230,550	230,500	80,500
Total expenditures	158,294	-	158,294	270,550	270,500	112,206
Excess (deficiency) of revenues over (under) expenditures	135,376	-	135,376	(60,000)	(59,900)	(28,946)
Fund balance, July 1, 2015, as previously presented	365,190	-	365,190	365,190	365,190	-
Prior period adjustment (See Note 2)	21,000	-	21,000	-	-	21,000
Fund balance, July 1, 2015, as restated	386,190	-	386,190	365,190	365,190	21,000
Fund balance, June 30, 2016	\$ 521,566	\$ -	\$ 521,566	\$ 305,190	\$ 305,290	\$ (7,946)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**USDA REVOLVING LOANS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 28,776	\$ -	\$ 28,776	\$ 40,000	\$ 40,000	\$ (11,224)
Investment Income	505	-	505	100	100	405
Other revenues	83	-	83	100	100	(17)
Total revenues	29,364	-	29,364	40,200	40,200	(10,836)
EXPENDITURES:						
Program costs	29	-	29	1,400	1,400	1,371
Loans disbursed	33,500	-	33,500	100,000	100,000	66,500
Total expenditures	33,529	-	33,529	101,400	101,400	67,871
Excess (deficiency) of revenues over (under) expenditures	(4,165)	-	(4,165)	(61,200)	(61,200)	57,035
Net change in fund balance	(4,165)	-	(4,165)	(61,200)	(61,200)	57,035
Fund balance, July 1, 2015	143,036	-	143,036	143,036	143,036	-
Fund balance, June 30, 2016	<u>\$ 138,871</u>	<u>\$ -</u>	<u>\$ 138,871</u>	<u>\$ 81,836</u>	<u>\$ 81,836</u>	<u>\$ 57,035</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**EQUIPMENT REPLACEMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Investment income	\$ 376	\$ -	\$ 376	\$ -	\$ -	\$ 376
Sale of property	14,589	-	14,589	-	14,200	389
Other Revenue	10,000	-	10,000	-	10,000	-
Total revenues	24,965	-	24,965	-	24,200	765
EXPENDITURES:						
Current:						
Other	-	-	-	-	13,967	13,967
Total current	-	-	-	-	13,967	13,967
Capital outlay	509,171	-	509,171	-	590,464	81,293
Total expenditures	509,171	-	509,171	-	604,431	95,260
Excess (deficiency) of revenues over (under) expenditures	(484,206)	-	(484,206)	-	(580,231)	96,025
OTHER FINANCING SOURCES (USES):						
Transfers in	458,207	-	458,207	-	294,207	164,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	458,207	-	458,207	-	294,207	164,000
Net change in fund balance	(25,999)	-	(25,999)	-	(286,024)	260,025
Fund balance, July 1, 2015	590,235	-	590,235	590,235	590,235	-
Fund balance, June 30, 2016	\$ 564,236	\$ -	\$ 564,236	\$ 590,235	\$ 304,211	\$ 260,025

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**EDUCATION DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Local shared taxes	\$ 354,375	\$ -	\$ 354,375	\$ -	\$ -	\$ 354,375
Interest income	15,605	-	15,605	-	-	15,605
Total revenues	369,980	-	369,980	-	-	369,980
EXPENDITURES:						
Program costs	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	369,980	-	369,980	-	-	369,980
OTHER FINANCING SOURCES (USES):						
Transfers in	2,334,570	-	2,334,570	2,347,505	2,347,505	(12,935)
Transfers out	(2,357,112)	-	(2,357,112)	(2,347,505)	(2,347,505)	(9,607)
Total other financing sources (uses)	(22,542)	-	(22,542)	-	-	(22,542)
Net change in fund balance	347,438	-	347,438	-	-	347,438
Fund balance, July 1, 2015	3,120,070	-	3,120,070	3,120,070	3,120,070	-
Fund balance, June 30, 2016	<u>\$ 3,467,508</u>	<u>\$ -</u>	<u>\$ 3,467,508</u>	<u>\$ 3,120,070</u>	<u>\$ 3,120,070</u>	<u>\$ 347,438</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

**SCHOOL FEDERAL AND STATE PROJECTS FUND**

The School Federal and State Projects accounts for funds generated through federal and state grants which support various educational programs.

**SCHOOL FOOD SERVICES FUND**

The School Food Services Fund accounts for funds generated through the food service operations of the City Schools, and also includes funds received through state and federal grants for the free and reduced meal programs.

**EXTENDED SCHOOL PROGRAM FUND**

The Extended School Program Fund accounts for the program revenues and expenses related to the City Schools' extended school program which provides child care services before and after school.

**SOLID WASTE MANAGEMENT FUND**

To account for the receipts from garbage collection fees and expenses related to the City's solid waste activities.

**DRUG ENFORCEMENT FUND**

To account for funds confiscated by the City in drug law enforcement actions.

**EQUIPMENT REPLACEMENT FUND**

To account for the replacement of vehicles purchased by municipal departments.

**UDAG**

To account for repayment and disbursement of UDAG funds for businesses.

**USDA REVOLVING LOAN FUND**

To account for loans originally made from funds received from Rural Development.

**DEBT SERVICE FUNDS**

**EDUCATION DEBT SERVICE FUND**

Established by private act to provide funds to make debt service payments for Education facilities.  
Funded primarily by internal transfers of sales tax from the General Fund.

**CAPITAL PROJECTS FUNDS**

**CAPITAL PROJECTS FUNDS**

To account for the use of bond proceeds for the construction of public facilities and other public works projects including the building replacement fund.





**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT**  
**JUNE 30, 2016**

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2016	Interest to Maturity as of June 30, 2016
<b>Governmental Activities:</b>						
<u>General Obligation Bonds Payable</u>						
General Obligation Refunding Bonds, Series 2009	2% - 3.25%	August 27, 2009	October 1, 2017	\$ 4,005,000	\$ 215,000	\$ 6,938
General Obligation Refunding Bonds, Series 2006	3.5% - 4%	December 15, 2006	April 1, 2026	9,320,000	9,090,000	2,168,875
General Obligation School Bonds, Series 2010	3% - 4%	August 10, 2010	October 1, 2032	4,750,000	4,250,000	1,798,549
General Obligation School Refunding Bonds, Series 2012	1% - 2%	November 28, 2012	April 1, 2021	4,795,000	3,100,000	155,500
General Obligation Refunding Bonds, Series 2016	2.37%	April 1, 2016	April 1, 2026	4,585,000	4,585,000	498,056
TMBF School Note, Series 2008	4.5%	August 6, 2008	May 25, 2033	12,084,000	10,137,000	4,868,910
TMBF City Note, Series 2008	4.5%	December 29, 2008	December 25, 2033	1,125,000	908,000	410,330
Total General Obligation Bonds Payable - Governmental Activities				40,664,000	32,285,000	9,907,158
<u>Notes Payable</u>						
Capital Outlay Notes, Series 2007	4.28%	February 7, 2007	February 1, 2017	627,000	101,000	4,323
Capital Outlay Notes, Series 2013	2.93%	September 16, 2013	October 1, 2025	890,115	765,000	117,392
Local Government Loan Program, Series 2013	3.00%	December 20, 2013	May 25, 2038	2,400,000	2,229,000	807,210
Capital Outlay Notes, Series 2014	2.26%	May 16, 2014	April 1, 2021	650,000	476,000	32,770
Local Government Loan Program, Series 2015	3.00%	March 31, 2015	May 21, 1940	2,988,500	2,988,500	1,191,375
Total Notes Payable - Governmental Activities				7,555,615	6,559,500	2,153,070
Total Bonds and Notes Payable - Governmental Activities				\$ 48,219,615	\$ 38,844,500	\$ 12,060,228

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT**  
**JUNE 30, 2016**

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2016	Interest to Maturity as of June 30, 2016
<b>Business-type Activities:</b>						
<u>Revenue Bonds Payable</u>						
Fiber Optics System Revenue and Tax Bonds, Series 2007	4.0% - 4.375%	August 1, 2007	July 1, 2027	\$ 16,975,000	\$ 13,170,000	\$ 3,704,160
Water and Wastewater Revenue and Tax Bonds, Series 1997	5.5% - 6.5%	July 1, 1997	October 1, 2017	720,000	110,000	6,050
Total Revenue Bonds Payable - Business-type Activities				<u>17,695,000</u>	<u>13,280,000</u>	<u>3,710,210</u>
<u>Notes Payable</u>						
Wastewater System:						
State Revolving Loan Fund, 94-077	3.80%	January 1, 1997	December 1, 2016	3,050,000	107,493	-
State Revolving Fund Loan , SWO 12-297	1.15%	March 1, 2012	November 1, 2034	4,014,781	3,715,898	409,142
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	700,000	444,000	43,856
Water System:						
TML Loan 1999	4.50%	May 25, 1999	May 25, 2020	4,708,000	1,368,000	104,400
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	900,000	569,000	56,166
Total Notes Payable - Business-type Activities				<u>20,529,781</u>	<u>6,204,391</u>	<u>613,564</u>
Total Bonds and Notes Payable - Business-type Activities				<u>\$ 38,224,781</u>	<u>\$ 19,484,391</u>	<u>\$ 4,323,774</u>

**Component Units:**

Notes Payable

Tullahoma Municipal Airport Authority:						
UDAG Notes Payable (11-05-05)	0.75%	October 6, 2005	October 1, 2019	\$ 369,780	\$ 90,338	\$ 1,372
UDAG Notes Payable (01-04-12)	1.00%	January 4, 2012	February 1, 2017	9,500	237	1
UDAG Notes Payable (08-05-13)	1.00%	August 5, 2013	August 5, 2023	25,000	18,160	666
UDAG Notes Payable (03-14-14)	1.00%	March 14, 2014	March 14, 2019	23,000	12,793	183
UDAG Notes Payable (03-06-15)	1.00%	March 6, 2015	March 6, 2020	11,385	8,592	166
Total Notes Payable - Component Units				<u>\$ 438,665</u>	<u>\$ 130,120</u>	<u>\$ 2,388</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**GENERAL OBLIGATION BONDS**  
**JUNE 30, 2016**

Year	General Obligation Refunding Bonds Series 2006		General Obligation Refunding Bonds Series 2009		General Obligation School Bonds Series 2010		General Obligation School Refunding Bonds Series 2012		General Obligation Refunding Bonds Series 2016	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 35,000	\$ 356,162	\$ 105,000	\$ 5,150	\$ 100,000	\$ 148,093	\$ 1,000,000	\$ 52,000	\$ 740,000	\$ 108,664
2018	820,000	354,850	110,000	1,788	-	146,594	375,000	38,250	765,000	91,127
2019	1,065,000	324,100	-	-	100,000	145,094	150,000	33,000	800,000	72,996
2020	1,055,000	284,163	-	-	100,000	142,344	750,000	24,000	285,000	54,036
2021	1,040,000	244,600	-	-	100,000	139,781	825,000	8,250	300,000	47,282
2022	1,035,000	203,000	-	-	100,000	137,094	-	-	310,000	40,171
2023	1,025,000	161,600	-	-	150,000	133,469	-	-	325,000	32,825
2024	1,015,000	120,600	-	-	150,000	128,969	-	-	340,000	25,122
2025	1,005,000	80,000	-	-	200,000	123,594	-	-	350,000	17,064
2026	995,000	39,800	-	-	200,000	117,219	-	-	370,000	8,769
2027	-	-	-	-	375,000	107,641	-	-	-	-
2028	-	-	-	-	400,000	94,313	-	-	-	-
2029	-	-	-	-	400,000	80,063	-	-	-	-
2030	-	-	-	-	425,000	64,843	-	-	-	-
2031	-	-	-	-	450,000	48,438	-	-	-	-
2032	-	-	-	-	475,000	30,500	-	-	-	-
2033	-	-	-	-	525,000	10,500	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-
	<u>\$ 9,090,000</u>	<u>\$ 2,168,875</u>	<u>\$ 215,000</u>	<u>\$ 6,938</u>	<u>\$ 4,250,000</u>	<u>\$ 1,798,549</u>	<u>\$ 3,100,000</u>	<u>\$ 155,500</u>	<u>\$ 4,585,000</u>	<u>\$ 498,056</u>

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**GENERAL OBLIGATION BONDS**  
**JUNE 30, 2016**

Year	Tennessee Municipal Bond Fund City Note Series 2008		Tennessee Municipal Bond Fund School Note Series 2008		Total General Obligation Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 37,000	\$ 40,860	\$ 377,000	\$ 456,165	\$ 2,394,000	\$ 1,167,094	\$ 3,561,094
2018	38,000	39,195	394,000	439,200	2,502,000	1,111,004	3,613,004
2019	40,000	37,485	412,000	421,470	2,567,000	1,034,145	3,601,145
2020	42,000	35,685	431,000	402,930	2,663,000	943,158	3,606,158
2021	44,000	33,795	450,000	383,535	2,759,000	857,243	3,616,243
2022	46,000	31,815	470,000	363,285	1,961,000	775,365	2,736,365
2023	48,000	29,745	492,000	342,135	2,040,000	699,774	2,739,774
2024	50,000	27,585	514,000	319,995	2,069,000	622,271	2,691,271
2025	52,000	25,335	537,000	296,865	2,144,000	542,858	2,686,858
2026	54,000	22,995	561,000	272,700	2,180,000	461,483	2,641,483
2027	57,000	20,565	586,000	247,455	1,018,000	375,661	1,393,661
2028	60,000	18,000	613,000	221,085	1,073,000	333,398	1,406,398
2029	62,000	15,300	640,000	193,500	1,102,000	288,863	1,390,863
2030	65,000	12,510	669,000	164,700	1,159,000	242,053	1,401,053
2031	68,000	9,585	699,000	134,595	1,217,000	192,618	1,409,618
2032	71,000	6,525	731,000	103,140	1,277,000	140,165	1,417,165
2033	74,000	3,350	763,000	70,245	1,362,000	84,095	1,446,095
2034	-	-	798,000	35,910	798,000	35,910	833,910
	<u>\$ 908,000</u>	<u>\$ 410,330</u>	<u>\$ 10,137,000</u>	<u>\$ 4,868,910</u>	<u>\$ 32,285,000</u>	<u>\$ 9,907,158</u>	<u>\$ 42,192,158</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**CAPITAL OUTLAY NOTES**  
**JUNE 30, 2016**

Year	Capital Outlay Notes Series 2007 (02-07-07)		Capital Outlay Notes Series 2013 (09-16-13)		Capital Outlay Notes Series 2014 (05-16-14)	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 101,000	\$ 4,323	\$ 67,000	\$ 21,433	\$ 91,000	\$ 10,758
2018	-	-	69,000	19,440	93,000	8,701
2019	-	-	71,000	17,390	95,000	6,599
2020	-	-	73,000	15,280	97,000	4,452
2021	-	-	75,000	13,112	100,000	2,260
2022	-	-	77,000	10,885	-	-
2023	-	-	80,000	8,585	-	-
2024	-	-	82,000	6,212	-	-
2025	-	-	84,000	3,780	-	-
2026	-	-	87,000	1,275	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	<u>\$ 101,000</u>	<u>\$ 4,323</u>	<u>\$ 765,000</u>	<u>\$ 117,392</u>	<u>\$ 476,000</u>	<u>\$ 32,770</u>

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**CAPITAL OUTLAY NOTES**  
**JUNE 30, 2016**

Year	Local Government Loan Program Series 2013 (12-20-13)		Local Government Loan Program Series 2015 (03-31-15)		Total Capital Outlay Notes*		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 87,000	\$ 66,870	\$ 50,500	\$ 89,655	\$ 396,500	\$ 193,039	\$ 589,539
2018	88,000	64,260	112,000	88,140	362,000	180,541	542,541
2019	89,000	61,620	114,000	84,780	369,000	170,389	539,389
2020	91,000	58,950	115,000	81,360	376,000	160,042	536,042
2021	92,000	56,220	116,000	77,910	383,000	149,502	532,502
2022	93,000	53,460	118,000	74,430	288,000	138,775	426,775
2023	95,000	50,670	119,000	70,890	294,000	130,145	424,145
2024	96,000	47,820	120,000	67,320	298,000	121,352	419,352
2025	97,000	44,940	122,000	63,720	303,000	112,440	415,440
2026	99,000	42,030	123,000	60,060	309,000	103,365	412,365
2027	100,000	39,060	125,000	56,370	225,000	95,430	320,430
2028	102,000	36,060	126,000	52,620	228,000	88,680	316,680
2029	103,000	33,000	127,000	48,840	230,000	81,840	311,840
2030	105,000	29,910	129,000	45,030	234,000	74,940	308,940
2031	106,000	26,760	130,000	41,160	236,000	67,920	303,920
2032	108,000	23,580	132,000	37,260	240,000	60,840	300,840
2033	109,000	20,340	133,000	33,300	242,000	53,640	295,640
2034	111,000	17,070	135,000	29,310	246,000	46,380	292,380
2035	112,000	13,740	136,000	25,260	248,000	39,000	287,000
2036	114,000	10,380	138,000	21,150	252,000	31,530	283,530
2037	115,000	6,960	140,000	17,040	255,000	24,000	279,000
2038	117,000	3,510	141,000	12,840	258,000	16,350	274,350
2039	-	-	143,000	8,610	143,000	8,610	151,610
2040	-	-	144,000	4,320	144,000	4,320	148,320
	<u>\$ 2,229,000</u>	<u>\$ 807,210</u>	<u>\$ 2,988,500</u>	<u>\$ 1,191,375</u>	<u>\$ 6,559,500</u>	<u>\$ 2,153,070</u>	<u>\$ 8,712,570</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**TULLAHOMA MUNICIPAL AIRPORT AUTHORITY**  
**JUNE 30, 2016**

Year	City of Tullahoma UDAG Note (11-01-05)			City of Tullahoma UDAG Note (01-04-12)			City of Tullahoma UDAG Note (08-05-13)			City of Tullahoma UDAG Note (03-14-14)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 29,329	\$ 671	\$ 30,000	\$ 237	\$ 1	\$ 238	\$ 2,458	\$ 170	\$ 2,628	\$ 4,610	\$ 107	\$ 4,717
2018	29,549	451	30,000	-	-	-	2,482	146	2,628	4,658	61	4,719
2019	29,772	228	30,000	-	-	-	2,507	121	2,628	3,525	15	3,540
2020	1,688	22	1,710	-	-	-	2,532	96	2,628	-	-	-
2021	-	-	-	-	-	-	2,558	70	2,628	-	-	-
2022	-	-	-	-	-	-	2,584	44	2,628	-	-	-
2023	-	-	-	-	-	-	2,610	18	2,628	-	-	-
2024	-	-	-	-	-	-	429	1	430	-	-	-
	<u>\$ 90,338</u>	<u>\$ 1,372</u>	<u>\$ 91,710</u>	<u>\$ 237</u>	<u>\$ 1</u>	<u>\$ 238</u>	<u>\$ 18,160</u>	<u>\$ 666</u>	<u>\$ 18,826</u>	<u>\$ 12,793</u>	<u>\$ 183</u>	<u>\$ 12,976</u>

Year	City of Tullahoma UDAG Note (03-06-15)			Total		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 2,260	\$ 76	\$ 2,336	\$ 38,894	\$ 1,025	\$ 39,919
2018	2,283	53	2,336	38,972	711	39,683
2019	2,305	30	2,335	38,109	394	38,503
2020	1,744	7	1,751	5,964	125	6,089
2021	-	-	-	2,558	70	2,628
2022	-	-	-	2,584	44	2,628
2023	-	-	-	2,610	18	2,628
2024	-	-	-	429	1	430
	<u>\$ 8,592</u>	<u>\$ 166</u>	<u>\$ 8,758</u>	<u>\$ 130,120</u>	<u>\$ 2,388</u>	<u>\$ 132,508</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

Year	Water and Waste Water Revenue and Tax Bonds Series 1997 (3-1-97)		Fiber Optics System Revenue and Tax Bonds Series 2007 (8-1-07)		Total Proprietary Funds Revenue and Tax Bond Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 55,000	\$ 4,537	\$ 860,000	\$ 545,681	\$ 915,000	\$ 550,218	\$ 1,465,218
2018	55,000	1,513	900,000	508,281	955,000	509,794	1,464,794
2019	-	-	935,000	469,872	935,000	469,872	1,404,872
2020	-	-	975,000	430,478	975,000	430,478	1,405,478
2021	-	-	1,020,000	389,331	1,020,000	389,331	1,409,331
2022	-	-	1,060,000	345,769	1,060,000	345,769	1,405,769
2023	-	-	1,105,000	299,763	1,105,000	299,763	1,404,763
2024	-	-	1,155,000	251,016	1,155,000	251,016	1,406,016
2025	-	-	1,205,000	199,391	1,205,000	199,391	1,404,391
2026	-	-	1,260,000	145,469	1,260,000	145,469	1,405,469
2027	-	-	1,320,000	89,031	1,320,000	89,031	1,409,031
2028	-	-	1,375,000	30,078	1,375,000	30,078	1,405,078
	<u>\$ 110,000</u>	<u>\$ 6,050</u>	<u>\$ 13,170,000</u>	<u>\$ 3,704,160</u>	<u>\$ 13,280,000</u>	<u>\$ 3,710,210</u>	<u>\$ 16,990,210</u>

See accompanying accountants' report.



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

Year	State Revolving Loan Fund 94-077		State Revolving Loan Fund CWO 12-297		Wastewater Revenue and Tax Capital Outlay, Series 2011		Total Wastewater System Note Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 107,493	\$ -	\$ 182,208	\$ 41,772	\$ 69,000	\$ 12,254	\$ 358,701	\$ 54,026
2018	-	-	184,308	39,672	71,000	10,350	255,308	50,022
2019	-	-	186,444	37,536	73,000	8,390	259,444	45,926
2020	-	-	188,604	35,376	75,000	6,376	263,604	41,752
2021	-	-	190,776	33,204	77,000	4,306	267,776	37,510
2022	-	-	192,984	30,996	79,000	2,180	271,984	33,176
2023	-	-	195,216	28,764	-	-	195,216	28,764
2024	-	-	197,472	26,508	-	-	197,472	26,508
2025	-	-	199,752	24,228	-	-	199,752	24,228
2026	-	-	202,068	21,912	-	-	202,068	21,912
2027	-	-	204,396	19,584	-	-	204,396	19,584
2028	-	-	206,760	17,220	-	-	206,760	17,220
2029	-	-	209,160	14,820	-	-	209,160	14,820
2030	-	-	211,572	12,408	-	-	211,572	12,408
2031	-	-	214,020	9,960	-	-	214,020	9,960
2032	-	-	216,492	7,488	-	-	216,492	7,488
2033	-	-	219,000	4,980	-	-	219,000	4,980
2034	-	-	221,532	2,448	-	-	221,532	2,448
2035	-	-	93,134	266	-	-	93,134	266
	<u>\$ 107,493</u>	<u>\$ -</u>	<u>\$ 3,715,898</u>	<u>\$ 409,142</u>	<u>\$ 444,000</u>	<u>\$ 43,856</u>	<u>\$ 4,267,391</u>	<u>\$ 452,998</u>

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

Year	Water TML Loan 1999		Water Revenue and Tax Capital Outlay Note, Series 2011		Total Water System Note Obligations		Wastewater, Water Total Note Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 324,000	\$ 41,040	\$ 89,000	\$ 15,704	\$ 413,000	\$ 56,744	\$ 771,701	\$ 110,770
2018	336,000	31,320	91,000	13,248	427,000	44,568	682,308	94,590
2019	348,000	21,240	93,000	10,736	441,000	31,976	700,444	77,902
2020	360,000	10,800	96,000	8,170	456,000	18,970	719,604	60,722
2021	-	-	99,000	5,520	99,000	5,520	366,776	43,030
2022	-	-	101,000	2,788	101,000	2,788	372,984	35,964
2023	-	-	-	-	-	-	195,216	28,764
2024	-	-	-	-	-	-	197,472	26,508
2025	-	-	-	-	-	-	199,752	24,228
2026	-	-	-	-	-	-	202,068	21,912
2027	-	-	-	-	-	-	204,396	19,584
2028	-	-	-	-	-	-	206,760	17,220
2029	-	-	-	-	-	-	209,160	14,820
2030	-	-	-	-	-	-	211,572	12,408
2031	-	-	-	-	-	-	214,020	9,960
2032	-	-	-	-	-	-	216,492	7,488
2033	-	-	-	-	-	-	219,000	4,980
2034	-	-	-	-	-	-	221,532	2,448
2035	-	-	-	-	-	-	93,134	266
	<u>\$ 1,368,000</u>	<u>\$ 104,400</u>	<u>\$ 569,000</u>	<u>\$ 56,166</u>	<u>\$ 1,937,000</u>	<u>\$ 160,566</u>	<u>\$ 6,204,391</u>	<u>\$ 613,564</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2015	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2016
<b>STATE FINANCIAL ASSISTANCE PROGRAMS</b>								
<b>Tennessee Department of Agriculture:</b>								
TAEP Community Tree Planting Project	32510-18615	1/15/15-9/30/15	\$ 2,500	\$ -	\$ -	\$ (2,483)	\$ 2,483	\$ -
Child Nutrition Match	N/A	7/1/15-6/30/16	\$ 19,593	-	-	(19,593)	19,593	-
Total Tennessee Department of Agriculture				<u>-</u>	<u>-</u>	<u>(22,076)</u>	<u>22,076</u>	<u>-</u>
<b>Tennessee Arts Commission:</b>								
Arts Build Communities								
Arts Program Categorical ABC	31625-27762	8/1/15-6/30/16	\$ 1,750	-	-	(1,750)	1,750	-
Arts Program Categorical ABC	81458	8/16/15-6/15/16	\$ 1,625	-	-	(1,487)	1,487	-
Total Tennessee Arts Commission				<u>-</u>	<u>-</u>	<u>(3,237)</u>	<u>3,237</u>	<u>-</u>
<b>Tennessee Department of Education:</b>								
ACT - Explore	N/A	7/1/15-6/30/16	\$ 6,138	-	-	(6,138)	6,138	-
Career Ladder Supplement	N/A	7/1/15-6/30/16	\$ 90,025	-	-	(90,025)	90,025	-
Basic Education Program	N/A	7/1/15-6/30/16	\$ 14,583,000	-	-	(14,583,000)	14,583,000	-
Coordinated School Health - ARRA	N/A	7/1/14-6/30/15	\$ 95,000	42,739	-	(42,739)	-	-
Coordinated School Health - ARRA	N/A	7/1/15-6/30/16	\$ 95,000	-	-	(69,516)	95,000	25,484
Pre-K Voluntary for Tennessee Program	N/A	2014-2015	\$ 369,942	120,363	-	(120,363)	-	-
Pre-K Voluntary for Tennessee Program	N/A	2015-2016	\$ 369,942	-	-	(303,393)	369,941	66,548
Connectenn	N/A	2015-2016	\$ 8,980	-	-	(8,980)	8,980	-
Arts Student Ticket Subsidy	N/A	7/1/15-6/30/16	\$ 1,230	-	-	(1,230)	1,230	-
Total Tennessee Department of Education				<u>163,102</u>	<u>-</u>	<u>(15,225,384)</u>	<u>15,154,314</u>	<u>92,032</u>
<b>Tennessee Department of Environment and Conservation:</b>								
Recycling Equipment Grant	32701-02272	2/14/15-2/13/16	\$ 9,630	9,630	-	(9,630)	-	-
Clean Tennessee Energy Grant Program	32701-02068	8/1/14-7/31/16	\$ 102,000	-	-	-	91,392	91,392
Capitalization Grants for Clean Water State Revolving Funds*	CS470001XX	3/2012-3/2032	\$ 5,000,000	37,077	(3,087)	(33,990) *	-	-
Total Tennessee Department of Environment and Conservation				<u>37,077</u>	<u>(3,087)</u>	<u>(33,990)</u>	<u>91,392</u>	<u>91,392</u>
<b>Tennessee Department of Health:</b>								
Project Diabetes Initiative	GG 1438796-00	8/1/13-6/30/16	\$ 423,800	2,419	-	(73,067)	125,887	55,239
Tallahoma Community Garden	N/A	5/27/14-6/15/14	\$ 2,000	-	-	-	-	-
Total Tennessee Department of Health				<u>2,419</u>	<u>-</u>	<u>(73,067)</u>	<u>125,887</u>	<u>55,239</u>
<b>Tennessee Department of Labor and Workforce Development:</b>								
Literacy Council	N/A	7/1/15-6/30/16	\$ 36,000	-	-	(20,337)	20,337	-
Total Tennessee Department of Labor and Workforce Development				<u>-</u>	<u>-</u>	<u>(20,337)</u>	<u>20,337</u>	<u>-</u>
<b>Tennessee Department of Human Services:</b>								
Vocational Rehabilitation Services								
School to Work Program	N/A	7/1/15-6/30/16	\$ 72,072	-	-	(37,247)	72,355	35,108
Total Tennessee Department of Labor and Workforce Development				<u>-</u>	<u>-</u>	<u>(37,247)</u>	<u>72,355</u>	<u>35,108</u>
<b>Tennessee Department of Transportation:</b>								
Downtown Revitalization Phase I	STO-EB-9209(13)/PIN 113908	10/18/10-8/31/15	\$ 358,580	31,744	25	(93,442)	390,808	329,135
Total Tennessee Department of Transportation				<u>31,744</u>	<u>25</u>	<u>(93,442)</u>	<u>390,808</u>	<u>329,135</u>
<b>Total State Financial Assistance Programs</b>				<u>\$ 234,342</u>	<u>\$ (3,062)</u>	<u>\$ (15,508,780)</u>	<u>\$ 15,880,406</u>	<u>\$ 602,906</u>

\*Note: As of June 30, 2016 there is an outstanding loan balance of \$3,715,898 on loan through State Revolving Loan Fund. The loan is 80% federally and state funded with 20% principal forgiveness.

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2015	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2016
<b>Component Units:</b>								
<b>Municipal Airport Authority</b>								
<b>Tennessee Department of Transportation:</b>								
Turf Runway Study	13-227-00	2/15/13-2/14/18	\$ 13,358	\$ 1,425	\$ -	\$ -	\$ -	\$ 1,425
Northwest Ramp Expansion - Amendment 1	11-168-00	3/1/11-3/31/15	\$ 450,000	-	-	(99)	99	-
Northwest Ramp Expansion - Phase 2	14-224-00	4/25/14-4/24/19	\$ 441,048	-	-	(241,622)	241,622	-
Airport Maintenance and Upkeep	AERO 071530	7/1/14-6/30/15	\$ 19,800	6,888	-	(6,888)	-	-
Airport Maintenance and Upkeep	16-165-00	7/1/15-6/30/16	\$ 19,800	-	-	(8,912)	19,800	10,888
AOPA Regional Fly-In	AERO 16-172-00	7/1/15-7/29/17	\$ 15,000	-	-	(15,000)	15,000	-
NW Taxiway Rehabilitation	AERO 13-190-00	3/31/13-10/23/17	\$ 1,280,920	10,260	-	(230,432)	234,836	14,664
Design and Construction Maint Hangar	14-116-00	7/5/13-7/4/18	\$ 36,250	-	-	(30,895)	31,782	887
Turf R/W Drainage Repair	14-242-00	4/30/14-4/29/19	\$ 93,100	-	-	(5,572)	5,572	-
Ramp and T/W Pavement Repairs	12-177-00	12/1/11-6/29/16	\$ 270,000	-	-	(226,205)	251,702	25,497
Runway Striping and Marking	AERO 165-243-00	6/22/15-6/21/18	\$ 95,475	-	-	(57,962)	57,962	-
Total State Financial Assistance Programs				<u>\$ 18,573</u>	<u>\$ -</u>	<u>\$ (823,587)</u>	<u>\$ 858,375</u>	<u>\$ 53,361</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2015	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2016
<b>FEDERAL FINANCIAL ASSISTANCE PROGRAMS</b>									
<b>U.S. Department of Agriculture:</b>									
Passed Through Tennessee Department of Agriculture:									
National School Breakfast Program	10.553	N/A	7/1/15-6/30/16	\$ 369,293	\$ -	\$ -	\$ (365,520)	\$ 369,293	\$ 3,773
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	\$ 1,018,885	-	-	(1,010,957)	1,018,886	7,929
Commodity Rebate	10.555	N/A	7/1/15-6/30/16	\$ 5,875	-	-	(5,875)	5,875	-
National Snack	10.555	N/A	7/1/15-6/30/16	\$ 50,992	-	-	(48,264)	48,264	-
Healthy Hungry Free Kids Act	10.560	N/A	9/2015-12/2015	\$ 3,150	-	-	(2,900)	2,900	-
Child Nutrition - Fruits and Vegetable	10.582	N/A	7/1/14-6/30/15	\$ 28,500	2,556	-	(2,556)	-	-
Child Nutrition - Fruits and Vegetable	10.582	N/A	7/1/15-6/30/16	\$ 28,300	-	-	(28,300)	28,300	-
Total U.S. Department of Agriculture					<u>2,556</u>	<u>-</u>	<u>(1,464,372)</u>	<u>1,473,518</u>	<u>11,702</u>
<b>U.S. Department of Education:</b>									
Passed Through Tennessee Department of Education:									
IDEA - Part B	84.027A	#H027A140052	7/1/14-9/30/15	\$ 741,358	332,122	-	(332,122)	-	-
IDEA - Part B	84.027A	#H027A150052	7/1/15-9/30/16	\$ 755,638	-	-	(598,740)	755,638	156,898
IDEA - Preschool	84.173A	#H173A140095	7/1/14-9/30/15	\$ 37,356	9,249	-	(9,249)	-	-
IDEA - Preschool	84.173A	#H173A150095	7/1/15-6/30/16	\$ 32,725	-	-	(32,725)	32,725	-
IDEA B - Pre-K 619 Discretionary	84.173A	#H173A140095	7/1/14-6/30/15	\$ 64,319	17,304	-	(17,304)	-	-
IDEA - Part B High Cost	84.027A	#H027A150052	7/1/15-6/30/16	\$ 83,107	-	-	(83,107)	83,107	-
IDEA - B Discretionary (Statewide Assessment)	84.173A	#H027A150052	7/1/15-6/30/16	\$ 100,000	-	-	(99,750)	99,750	-
IDEA - B Discretionary (Supplemental Funds)	84.027A	#H027A150052	7/1/15-6/30/16	\$ 8,819	-	-	(7,200)	7,200	-
IDEA - B Discretionary Focus	84.173A	15-16200	7/1/14-6/30/15	\$ 59,322	15,536	-	(15,536)	-	-
Public Law 874	84.041	N/A	7/1/14-9/30/15	\$ 6,000	-	-	(1,180)	1,180	-
Title I	84.010A	#S010A140042	7/1/14-6/30/15	\$ 820,006	329,362	-	(333,568)	4,206	-
Title I, Part A	84.010.A	#S010A150042	7/1/15-6/30/16	\$ 806,232	-	-	(572,340)	767,342	195,002
Title II, Part A	84.367A	#S365A140042	7/1/14-6/30/15	\$ 121,720	78,039	-	(78,039)	-	-
Title II, Part A	84.013A	#S013A150042	7/1/15-6/30/16	\$ 122,525	-	-	(88,491)	104,747	16,256
Title III	84.365A	#S013A150042	7/1/15-6/30/16	\$ 3,227	-	-	(3,227)	3,227	-
Title IV, Part B 21st Century	84.287C	192-14-01-006	7/1/14-6/30/15	\$ 340,000	213,255	-	(216,838)	3,583	-
Title IV, Part B 21st Century	84.287	#S287C150043	7/1/15-6/30/16	\$ 330,000	-	-	(202,230)	236,154	33,924
Title IV, Part B 21st Century East/West	84.287C	N/A	7/1/14-6/30/15	\$ 161,000	89,571	-	(90,184)	613	-
Title IV, Part B 21st Century East/West	84.287	#S287C150043	7/1/15-6/30/16	\$ 151,000	-	-	(110,266)	139,191	28,925
Title VI, Part B, Subpart 2	84.358	#S358B140042	7/1/14-9/30/15	\$ 66,714	34,175	-	(34,175)	-	-
Title VI, Part B, Subpart 2	84.358B	#S358B150042	7/1/15-6/30/16	\$ 66,601	-	-	(42,293)	66,601	24,308
Carl Perkins, Title I Part C	84.048A	#V048A140042	7/1/14-6/30/15	\$ 43,881	17,929	-	(17,929)	-	-
Carl Perkins, Title I Part C	84.048A	#V048A150042	7/1/15-9/30/16	\$ 46,852	-	-	(39,871)	46,852	6,981
Total U.S. Department of Education					<u>1,136,542</u>	<u>-</u>	<u>(3,026,364)</u>	<u>2,352,116</u>	<u>462,294</u>
<b>U.S. Environmental Protection Agency Direct Program:</b>									
EPA, Office of Water:									
Capitalization Grants for Clean Water State Revolving Funds*	66.458	CS470001XX	3/2012-3/2032	\$ 5,000,000	185,337	(15,389)	(169,948) *	-	-
Total U.S. Environmental Protection Agency Direct Program					<u>185,337</u>	<u>(15,389)</u>	<u>(169,948)</u>	<u>-</u>	<u>-</u>

\*Note: As of June 30, 2016 there is an outstanding loan balance of \$3,715,898 on loan through State Revolving Loan Fund. The loan is 80% federally and state funded with 20% principal forgiveness.

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2015	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2015
<b>U.S. Department of Housing and Urban Redevelopment:</b>									
HOME Investment Partnership Program	14.239	HA-12-24	7/1/14-6/30/17	\$ 375,000	\$ 478	\$ -	\$ (194,512)	\$ 221,950	\$ 27,916
Total U.S. Department of Housing and Urban Redevelopment					<u>478</u>	<u>-</u>	<u>(194,512)</u>	<u>221,950</u>	<u>27,916</u>
<b>U.S. Department of Transportation:</b>									
Passed Through Tennessee Department of Transportation:									
Safe Routes to School Grant-Sidewalks Grundy St to Dossett homes	20.205	SRTS-1600(18)	6/5/14-12/29/15	\$ 203,368	-	-	(6,900)	13,114	6,214
Tulahoma Safe Roads Traffic Enforcement Program	20.600	Z15GHS412	10/1/14-9/30/15	\$ 15,817	-	-	(8,106)	8,106	-
Tulahoma Safe Roads Traffic Enforcement Program	20.600	Z16GHS408	10/1/15-9/30/16	\$ 14,932	-	-	(14,872)	14,872	-
Collins Street Paving	20.205	STP-M-9209(15)	3/31/13-3/31/18	\$ 601,445	594,300	1,703	(596,003)	-	-
Total U.S. Department of Transportation					<u>594,300</u>	<u>1,703</u>	<u>(625,881)</u>	<u>36,092</u>	<u>6,214</u>
<b>Total Federal Financial Assistance Programs</b>					<u>\$ 1,919,213</u>	<u>\$ (13,686)</u>	<u>\$ (5,481,077)</u>	<u>\$ 4,083,676</u>	<u>\$ 508,126</u>
<b>FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM</b>									
<b>U.S. Department of Agriculture:</b>									
Commodities: Food Distribution Program	10.569	N/A	7/1/15-6/30/16	N/A	\$ -	\$ -	\$ (110,770)	\$ 110,770	\$ -
Total U.S. Department of Agriculture					<u>-</u>	<u>-</u>	<u>(110,770)</u>	<u>110,770</u>	<u>-</u>
<b>Component Units:</b>									
<b>Municipal Airport Authority:</b>									
<b>U.S. Department of Transportation</b>									
Passed through Tennessee Department of Transportation:									
Airport Improvement Program	20.106	3-47-SBGP-38	7/5/13-7/4/18	\$ 475,000	\$ -	\$ -	\$ (556,121)	\$ 572,082	\$ 15,961
<b>Total Federal Financial Assistance Programs</b>					<u>-</u>	<u>-</u>	<u>(556,121)</u>	<u>572,082</u>	<u>15,961</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AND STATE ASSISTANCE  
YEAR ENDED JUNE 30, 2016**

**NOTE 1 - BASIS OF PRESENTATION**

**A. Non-cash Federal Programs – Uniform Guidance**

The City is the recipient of federal awards that do not result in cash receipts or disbursements, including the distribution of U.S. Department of Agriculture (USDA) Food Commodities (CFDA No. 10.555), which are valued based on a USDA price list obtained from the Tennessee Department of Health. Distributions under such programs are included in the accompanying Schedule of Expenditures of Federal and State Awards in the non-cash assistance section.

**B. Federal Financial Assistance without CFDA Numbers**

Federal Awards which have no assigned CFDA number have been included in the last section of the appropriate federal agency section.

**C. Schedule of Expenditures of State Awards**

In compliance with Tennessee state law, the accompanying Schedule of Expenditures of State Awards is included with this report. Such schedule presents all state funded financial awards, as defined by the State Comptroller's Office, and is prepared and presented in a manner consistent with the Schedule of Expenditures of Federal Awards.

**NOTE 2 - BASIS OF ACCOUNTING**

The expenditures presented in the accompanying Schedule of Expenditures of Federal and State Awards were developed from agency records and federal and state financial reports which have been reconciled to the accounting records of the City Schools. Governmental funds are reported using a modified accrual basis of accounting. The City Schools' records serve as the primary source of information in preparation of the City Schools' basic financial statements.

**NOTE 3 - MATCHING COST**

The State of Tennessee's portion of joint programs with the City is included in the accompanying Schedule of Expenditures of State Awards except in those cases where the state's portion is combined with the federal portion and cannot be separately identified. In such cases, the state's portion is included in the accompanying Schedule of Expenditures of Federal Awards. The City's portion of such joint awards is not included.

**NOTE 4 - INDIRECT COSTS**

Along with all other central service costs allowable under the Uniform Guidance is the amount which may be "allocated" among all programs of the City in a consistent manner, the cost for the audit of the City's financial statements and single audits are included in the City's Cost Allocation Plan.

Many of the City's federal and state funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the Schedule of Expenditures of Federal and State Awards.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF PROPERTY TAXES RECEIVABLE**  
**GENERAL FUND**  
**JUNE 30, 2016**

<b>Calendar Year of Levy</b>	<b>Amount</b>
2016	\$ 10,320,976
2015	368,606
2014	82,033
2013	56,640
2012	30,624
2011	17,228
2010	15,338
2009	17,024
2008	6,737
2007	8,939
2006	6,440
2005	2,039
2004	-
Total property tax receivable	10,932,624
Less: allowance for uncollectibles	(611,648)
Net property taxes receivable	\$ 10,320,976

\*Estimated amount of taxes levied on January 1, 2016 based upon estimate of assessment.

See accompanying accountants' report.



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>Tax Year</b>	<b>Balance July 1, 2015</b>	<b>Tax Levy</b>	<b>Payments/ Adjustments</b>	<b>Anticipated Tax Levy</b>	<b>Balance June 30, 2016</b>
2016	\$ -	\$ -	\$ -	\$ 10,320,976	\$ 10,320,976
2015	-	10,320,976	(9,952,370)	-	368,606
2014	365,779	-	(283,746)	-	82,033
2013	99,045	-	(42,405)	-	56,640
2012	53,030	-	(22,406)	-	30,624
2011	34,662	-	(17,434)	-	17,228
2010	27,313	-	(11,975)	-	15,338
2009	22,886	-	(5,862)	-	17,024
2008	10,536	-	(3,799)	-	6,737
2007	9,692	-	(753)	-	8,939
2006	7,072	-	(632)	-	6,440
2005	2,178	-	(139)	-	2,039
2004	2,009	-	(2,009)	-	-
	<u>\$ 634,202</u>	<u>\$ 10,320,976</u>	<u>\$ (10,343,530)</u>	<u>\$ 10,320,976</u>	<u>\$ 10,932,624</u>

\*Estimated amount of taxes levied on January 1, 2016 based upon estimate of assessment.

See accompanying accountants' report.



## **STATISTICAL SECTION (UNAUDITED)**

This part of the City of Tullahoma's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. This section has not been audited by the independent auditors.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	E-2
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	E-6
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	E-10
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	E-15
<b>Operating Information</b>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	E-18
<b>Other Information</b>	E-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF TULLAHOMA, TENNESSEE**  
**NET POSITION BY COMPONENTS**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	<b>Fiscal Year Ending June 30,</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Governmental activities:										
Net investment in capital assets	\$ (5,641,138)	\$ (2,118,850)	\$ 360,871	\$ 305,935	\$ 235,191	\$ 2,710,459	\$ 4,863,118	\$ 5,397,379	\$ 5,986,578	\$ 7,778,998
Restricted	5,313,488	2,070,179	3,482,921	3,291,781	3,715,245	3,738,226	8,633,751	10,805,869	7,435,009	12,199,196
Unrestricted	10,980,482	12,818,368	9,591,892	10,907,173	11,279,566	10,166,269	4,876,967	5,247,862	5,291,852	5,947,329
Total governmental activities net position	<u>\$ 10,652,832</u>	<u>\$ 12,769,697</u>	<u>\$ 13,435,684</u>	<u>\$ 14,504,889</u>	<u>\$ 15,230,002</u>	<u>\$ 16,614,954</u>	<u>\$ 18,373,836</u>	<u>\$ 21,451,110</u>	<u>\$ 18,713,439</u>	<u>\$ 25,925,523</u>
Business-type activities:										
Net investment in capital assets	\$ 26,837,939	\$ 25,537,051	\$ 26,716,611	\$ 26,259,369	\$ 21,637,303	\$ 20,030,111	\$ 22,939,822	\$ 26,377,804	\$ 27,146,940	\$ 27,944,063
Restricted	426,842	3,630,315	4,609,939	4,635,773	8,179,585	11,141,987	9,458,119	7,903,956	7,659,795	9,229,348
Unrestricted	7,328,172	7,631,682	6,199,522	5,956,844	10,270,015	9,481,715	10,518,930	11,203,397	12,220,689	11,409,389
Total business-type activities net position	<u>\$ 34,592,953</u>	<u>\$ 36,799,048</u>	<u>\$ 37,526,072</u>	<u>\$ 36,851,986</u>	<u>\$ 40,086,903</u>	<u>\$ 40,653,813</u>	<u>\$ 42,916,871</u>	<u>\$ 45,485,157</u>	<u>\$ 47,027,424</u>	<u>\$ 48,582,800</u>
Primary government:										
Net investment in capital assets	\$ 21,196,801	\$ 23,418,201	\$ 27,077,482	\$ 26,565,304	\$ 21,872,494	\$ 22,740,570	\$ 27,802,940	\$ 31,775,183	\$ 33,133,518	\$ 35,723,061
Restricted	5,740,330	5,700,494	8,092,860	7,927,554	11,894,830	14,880,213	18,091,870	18,709,825	15,094,804	21,428,544
Unrestricted	18,308,654	20,450,050	15,791,414	16,864,017	21,549,581	19,647,984	15,395,897	16,451,259	17,512,541	17,356,718
Total primary government net position	<u>\$ 45,245,785</u>	<u>\$ 49,568,745</u>	<u>\$ 50,961,756</u>	<u>\$ 51,356,875</u>	<u>\$ 55,316,905</u>	<u>\$ 57,268,767</u>	<u>\$ 61,290,707</u>	<u>\$ 66,936,267</u>	<u>\$ 65,740,863</u>	<u>\$ 74,508,323</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,338,809	\$ 2,507,541	\$ 2,098,177	\$ 2,207,429	\$ 2,064,175	\$ 2,475,135	\$ 2,200,671	\$ 2,301,526	\$ 2,326,542	\$ 4,583,446
Public safety	4,340,678	4,185,343	4,734,512	4,895,286	4,899,328	4,785,495	4,914,353	5,157,936	5,262,024	5,422,107
Public works	2,099,073	3,963,002	4,512,959	3,958,539	4,013,062	4,199,087	4,090,510	4,520,320	4,891,574	4,648,946
Community services	1,317,433	280,122	258,962	196,297	184,212	442,897	428,682	575,091	511,199	570,031
Waste management	1,634,359	1,817,619	1,772,753	1,771,673	1,770,754	1,856,650	1,862,225	1,889,484	1,926,323	2,027,969
Education	28,325,099	31,092,600	31,524,951	31,731,495	33,264,419	33,274,087	34,290,366	33,748,472	33,329,968	32,127,426
Interest and other debt related costs	1,333,255	1,367,020	1,333,800	1,237,492	1,335,436	1,300,931	1,160,626	1,025,774	980,816	938,576
Total governmental activities expenses	41,388,706	45,213,247	46,236,114	45,998,211	47,531,386	48,334,282	48,947,433	49,218,603	49,228,446	50,318,501
Business-type activities:										
Tullahoma Utilities Board	28,796,440	30,033,871	35,217,988	36,521,327	39,907,815	40,547,972	40,468,208	41,467,595	42,336,086	41,144,537
Total primary government expenses	\$ 70,185,146	\$ 75,247,118	\$ 81,454,102	\$ 82,519,538	\$ 87,439,201	\$ 88,882,254	\$ 89,415,641	\$ 90,686,198	\$ 91,564,532	\$ 91,463,038
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 589,999	\$ 672,665	\$ 455,051	\$ 412,598	\$ 458,043	\$ 586,807	\$ 451,699	\$ 522,931	\$ 510,331	\$ 2,996,502
Public safety	-	29,998	82,432	43,081	49,571	30,229	44,739	22,055	21,158	26,176
Waste management	709,810	575,730	702,726	724,926	772,619	782,997	733,094	724,011	701,567	904,916
Education	1,683,500	1,655,108	1,653,950	1,458,684	1,344,984	1,293,993	1,252,068	1,284,091	1,202,796	1,144,680
Operating grants and contributions	21,562,279	24,679,632	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300	28,858,212	28,530,382	29,517,779
Capital grants and contributions	-	15,843	-	-	-	-	-	-	-	-
Total governmental activities program revenues	24,545,588	27,628,976	27,992,120	27,590,305	29,143,061	29,431,414	30,401,900	31,411,300	30,966,234	34,590,053
Business-type activities:										
Charges for services:										
Tullahoma Utilities Board	30,263,169	31,554,533	35,925,238	36,043,815	40,982,582	41,207,244	42,396,018	43,594,960	43,830,565	42,796,126
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	2,500	59,364	3,000	25,022	317,305	28,896	446,530	766,249	189,776	95,197
Total business-type activities program revenues	30,265,669	31,613,897	35,928,238	36,068,837	41,299,887	41,236,140	42,842,548	44,361,209	44,020,341	42,891,323
Total primary government program revenues	\$ 54,811,257	\$ 59,242,873	\$ 63,920,358	\$ 63,659,142	\$ 70,442,948	\$ 70,667,554	\$ 73,244,448	\$ 75,772,509	\$ 74,986,575	\$ 77,481,376
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (16,843,118)	\$ (17,584,271)	\$ (18,243,994)	\$ (18,407,906)	\$ (18,388,325)	\$ (18,902,868)	\$ (18,545,533)	\$ (17,807,303)	\$ (18,262,212)	\$ (15,728,448)
Business-type activities	1,469,229	1,580,026	710,250	(452,490)	1,392,072	688,168	2,374,340	2,893,614	1,684,255	1,746,786
Total primary government net (expense)/revenue	\$ (15,373,889)	\$ (16,004,245)	\$ (17,533,744)	\$ (18,860,396)	\$ (16,996,253)	\$ (18,214,700)	\$ (16,171,193)	\$ (14,913,689)	\$ (16,577,957)	\$ (13,981,662)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property	\$ 8,465,227	\$ 8,592,122	\$ 8,643,741	\$ 8,771,320	\$ 8,859,312	\$ 8,945,804	\$ 9,371,787	\$ 10,034,154	\$ 10,849,859	\$ 10,684,045
Local option sales	6,179,743	8,135,657	7,927,112	7,644,114	7,567,686	8,281,290	8,441,549	8,702,708	9,064,791	9,640,761
Other taxes	1,422,193	1,507,065	1,460,558	1,380,041	1,509,462	1,625,657	1,603,231	1,682,403	1,678,591	1,749,653
Investment earnings	916,930	604,899	164,840	153,616	310,219	138,125	115,731	62,326	56,349	78,402
Other revenues	313,487	464,469	364,450	309,968	296,752	1,000,543	904,568	492,884	407,671	422,852
Gain on sale of property	4,500	-	-	5,000	6,630	10,315	4,335	-	1,805	13,499
Transfers	337,047	396,924	404,579	395,866	348,169	321,649	(89,082)	286,474	374,523	391,184
Total governmental activities	17,639,127	19,701,136	18,965,280	18,659,925	18,898,230	20,323,383	20,352,119	21,260,949	22,433,589	22,980,396
Business-type activities:										
Investment earnings	514,059	989,279	311,483	74,961	36,217	32,161	37,439	26,099	23,637	48,451
Other revenues	46,215	25,713	108,956	81,615	153,804	66,558	113,324	65,118	189,502	151,323
Gain on disposal of equipment	25,241	8,001	1,000	10,777	-	12,147	9,546	(17,796)	19,396	-
Transfers	(383,085)	(396,924)	(404,579)	(382,884)	(403,406)	(232,124)	(271,591)	(286,474)	(374,523)	(391,184)
Total business-type activities	202,430	626,069	16,860	(215,531)	(213,385)	(121,258)	(111,282)	(213,053)	(141,988)	(191,410)
Total primary government	\$ 17,841,557	\$ 20,327,205	\$ 18,982,140	\$ 18,444,394	\$ 18,684,845	\$ 20,202,125	\$ 20,240,837	\$ 21,047,896	\$ 22,291,601	\$ 22,788,986
<b>Change in Net Position</b>										
Governmental activities	\$ 796,009	\$ 2,116,865	\$ 721,286	\$ 252,019	\$ 509,905	\$ 1,420,515	\$ 1,806,586	\$ 3,453,646	\$ 4,171,377	\$ 7,251,948
Business-type activities	1,671,659	2,206,095	727,110	(668,021)	1,178,687	566,910	2,263,058	2,680,561	1,542,267	1,555,376
Total primary government	2,467,668	4,322,960	1,448,396	(416,002)	1,688,592	1,987,425	4,069,644	6,134,207	5,713,644	8,807,324
Prior period adjustment <sup>(1)</sup>	3,284,513	-	-	607,843	2,271,438	(35,563)	(47,704)	(488,647)	(6,909,048)	(39,864)
Total change in net position	\$ 5,752,181	\$ 4,322,960	\$ 1,448,396	\$ 191,841	\$ 3,960,030	\$ 1,951,862	\$ 4,021,940	\$ 5,645,560	\$ (1,195,404)	\$ 8,767,460

<sup>(1)</sup> The City implemented retro active reporting of infrastructure, as permitted by GASB 34, in FY2007.

**CITY OF TULLAHOMA, TENNESSEE**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011*	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 141,968	\$ 213,279	\$ 181,327	\$ 75,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,356,936	6,804,609	5,543,492	5,428,346	-	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	8,432	55,354	25,628	21,968	35,491	47,993
Restricted for:										
Drug enforcement	-	-	-	-	-	-	57,657	22,262	5,158	437
Other projects	-	-	-	-	-	-	80,236	81,375	104,420	187,575
Committed to:										
Encumbrances	-	-	-	-	52,887	144,615	87,745	17,715	13,069	-
Permanent streets - SSA	-	-	-	-	-	-	-	163,101	-	-
Equipment replacement	-	-	-	-	936,414	-	544,132	262,023	- **	-
Stabilization fund	-	-	-	-	-	-	-	891,666	1,269,493	1,295,162
Assigned to:										
Paving appropriated by 2012 budget	-	-	-	-	445,000	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	23,069
Unassigned	-	-	-	-	4,260,389	6,318,096	5,685,487	5,412,758	5,491,847	6,043,369
Total general fund	<u>\$ 6,498,904</u>	<u>\$ 7,017,888</u>	<u>\$ 5,724,819</u>	<u>\$ 5,504,165</u>	<u>\$ 5,703,122</u>	<u>\$ 6,518,065</u>	<u>\$ 6,480,885</u>	<u>\$ 6,872,868</u>	<u>\$ 6,919,478</u>	<u>\$ 7,597,605</u>
All Other Governmental Funds:										
Reserved, reported in:										
Special revenue funds	\$ 1,535,859	\$ 503,586	\$ 236,886	\$ 259,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds	3,679,499	1,919,975	96,722	213,361	-	-	-	-	-	-
Debt service funds	1,359,445	1,367,538	2,402,922	2,839,340	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	3,827,797	6,177,139	6,029,616	6,477,392	-	-	-	-	-	-
Capital projects funds	-	(1,347,993)	801,140	-	-	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	-	1,589	1,500	2,624	35,150
Restricted for:										
Capital improvements	-	-	-	-	711,588	975,466	972,978	859,865	1,455,692	1,517,103
Debt service	-	-	-	-	2,769,685	2,464,343	2,547,489	2,989,879	3,355,975	3,695,414
Drug enforcement	-	-	-	-	84,230	81,250	96,652	90,035	98,457	96,193
Grant projects	-	-	-	-	811,316	387,705	572,792	784,114	638,589	790,800
School operations	-	-	-	-	5,268,135	4,203,984	3,954,593	5,904,375	6,571,848	8,564,918
Solid waste	-	-	-	-	171,083	182,700	198,950	214,275	219,807	241,478
Extended school	-	-	-	-	117,399	123,369	104,504	88,436	152,114	198,031
Equipment replacement	-	-	-	-	-	-	-	-	590,235	564,236
Committed to:										
Encumbrances	-	-	-	-	21,806	8,668	1,070	9,176	-	-
Assigned to:										
School MOE	-	-	-	-	139,268	139,268	286,736	286,736	286,736	286,736
Other	-	-	-	-	-	-	-	-	-	163,559
Total all other governmental funds	<u>\$ 10,402,600</u>	<u>\$ 8,620,245</u>	<u>\$ 9,567,286</u>	<u>\$ 9,789,723</u>	<u>\$ 10,094,510</u>	<u>\$ 8,566,753</u>	<u>\$ 8,737,353</u>	<u>\$ 11,228,391</u>	<u>\$ 13,372,077</u>	<u>\$ 16,153,618</u>

Note: For consistency purposes, only the years since implementation of GASB Statement No. 34 are presented. Ultimately, there will be ten years of information provided.

\* In 2011, the City implemented GASB Statement No. 54.

\*\* General Fund balance committed to Equipment replacement is not in the 2015 amounts since fund was pulled out.

**CITY OF TULLAHOMA, TENNESSEE**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes	\$ 19,997,350	\$ 18,075,027	\$ 17,844,188	\$ 17,632,917	\$ 17,752,523	\$ 18,655,100	\$ 19,352,565	\$ 20,302,231	\$ 21,530,130	\$ 21,995,432
Payment in lieu of tax	-	159,817	187,223	162,559	183,937	197,651	64,002	117,034	63,111	79,027
Intergovernmental	17,632,092	24,695,475	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300	28,858,212	28,530,382	29,517,779
Licenses and permits	129,021	146,560	138,158	80,908	78,399	83,580	60,667	75,761	69,970	89,499
Fines and forfeitures	334,293	410,656	244,343	232,525	271,996	401,497	285,286	339,439	296,694	327,496
Charges for services	2,518,375	2,346,287	2,429,226	2,282,775	2,225,251	2,178,720	2,090,908	2,115,833	2,048,030	2,466,610
Investment income	741,567	379,913	164,840	153,614	172,165	136,234	114,043	61,377	56,166	77,768
Sale of property	4,500	400	19,852	5,000	10,630	263,704	33,979	380	1,805	14,589
Note repayments	130,180	43,009	95,613	132,323	136,012	21,852	231,108	268,744	251,447	307,536
Other	488,851	719,051	446,882	353,049	484,324	1,030,772	949,307	514,939	428,829	432,737
Total revenues	41,976,229	46,976,195	46,668,286	45,986,686	47,833,081	49,706,498	51,102,165	52,653,950	53,276,564	55,308,473
<b>Expenditures:</b>										
General government	1,295,275	1,177,901	1,182,578	1,322,151	1,234,081	1,358,035	1,315,194	1,375,272	1,377,007	1,511,588
Public safety	4,376,307	4,665,946	4,726,599	4,697,942	4,809,616	4,784,089	4,917,067	5,154,815	5,175,176	5,276,039
Public works	1,876,706	2,056,101	2,087,564	1,928,681	1,947,571	2,036,722	2,081,867	2,160,985	2,526,860	2,466,897
Parks and recreation	-	1,153,305	1,256,631	1,301,424	1,250,197	1,319,151	1,286,665	1,246,121	1,410,020	1,777,739
Community services	1,177,283	262,571	253,497	176,690	174,919	451,058	479,868	576,904	481,399	548,111
Waste management	1,599,771	1,832,253	1,807,441	1,733,132	1,717,743	-	-	-	-	-
Public education	23,441,793	26,957,513	28,075,339	27,812,938	29,354,890	29,040,195	29,543,152	29,545,083	30,013,294	29,978,405
Program costs	3,966,098	2,292,566	2,616,312	2,051,527	1,924,886	3,985,279	4,101,157	4,196,864	4,291,040	4,510,580
Capital outlay	2,840,558	5,563,226	5,368,217	11,608,444	7,827,750	3,653,411	4,009,508	4,118,658	5,859,668	3,726,328
Loans disbursed	125,000	7,055	79,650	70,000	468,589	639,500	71,905	90,000	466,141	183,500
Debt service:										
Principal	1,233,310	1,312,068	1,463,025	1,484,368	1,917,000	2,174,000	2,323,000	2,252,000	2,613,115	7,258,000
Interest	1,339,747	1,353,384	1,311,479	1,143,371	1,263,774	1,262,493	1,189,464	1,047,690	1,012,054	984,148
Fiscal charges	149,512	2,599	94,828	89,167	67,784	1,465	67,050	2,600	1,800	29,235
Total expenditures	43,421,360	48,636,488	50,323,160	55,419,835	53,958,800	50,705,398	51,385,897	51,766,992	55,227,574	58,250,570
Excess of revenues over (under) expenditures	(1,445,131)	(1,660,293)	(3,654,874)	(9,433,149)	(6,125,719)	(998,900)	(283,732)	886,958	(1,951,010)	(2,942,097)
<b>Other Financing Sources (Uses):</b>										
Issuance of refunding bonds	9,320,000	-	2,892,463	12,992,125	4,750,000	-	4,700,000	-	-	4,585,000
Issuance of notes	845,000	-	-	-	1,329,412	-	-	1,737,955	3,766,782	1,423,878
Payment to refunding bond escrow agent	(9,283,450)	-	-	(4,131,287)	-	-	(4,795,000)	-	-	-
Bond issue premium	42,031	-	-	111,388	-	-	215,561	-	-	-
Transfers in	13,122,649	14,196,338	17,838,616	23,703,053	19,785,433	15,816,090	15,547,893	16,514,047	17,594,604	17,162,048
Transfers out	(12,785,602)	(13,799,414)	(17,434,037)	(23,249,950)	(19,449,502)	(15,494,411)	(15,251,302)	(16,227,573)	(17,220,081)	(16,770,864)
Total other financing sources (uses)	1,260,628	396,924	3,297,042	9,425,329	6,415,343	321,679	417,152	2,024,429	4,141,305	6,400,062
Net change in fund balances	<u>\$ (184,503)</u>	<u>\$ (1,263,369)</u>	<u>\$ (357,832)</u>	<u>\$ (7,820)</u>	<u>\$ 289,624</u>	<u>\$ (677,221)</u>	<u>\$ 133,420</u>	<u>\$ 2,911,387</u>	<u>\$ 2,190,295</u>	<u>\$ 3,457,965</u>
Debt service as a percentage of noncapital expenditures	7.21%	6.42%	6.72%	6.30%	7.33%	7.74%	7.87%	7.31%	7.18%	14.91%

Note: For consistency purposes, only the years since implementation of GASB Statement No. 34 are presented. Ultimately, there will be ten years of information provided.

**CITY OF TULLAHOMA, TENNESSEE**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Total Taxable Assessed Value</b>	<b>County</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
2007	2006	\$ 154,094,200	\$ 162,784,471	\$ 316,878,671	Coffee	2.49	\$ 1,052,832,610	30.098%
		13,588,000	3,183,952	16,771,952	Franklin	2.84	64,768,674	25.895%
2008	2007	157,042,475	163,527,494	320,569,969	Coffee	2.44	1,066,319,358	30.063%
		17,746,850	4,298,649	22,045,499	Franklin	2.44	84,379,680	26.127%
2009	2008	159,404,850	164,136,385	323,541,235	Coffee	2.44	1,086,798,263	29.770%
		18,423,550	5,027,499	23,451,049	Franklin	2.44	89,401,911	26.231%
2010	2009	166,140,275	162,085,710	328,225,985	Coffee	2.44	1,103,987,272	29.731%
		19,049,450	4,709,942	23,759,392	Franklin	2.44	90,930,491	26.129%
2011	2010	169,593,225	183,579,854	353,173,079	Coffee	2.29	1,165,946,883	30.291%
		18,803,125	4,482,745	23,285,870	Franklin	2.42	89,140,759	26.123%
2012	2011	169,198,875	183,726,208	352,925,083	Coffee	2.29	1,163,428,830	30.335%
		18,722,900	4,879,356	23,602,256	Franklin	2.42	88,680,716	26.615%
2013	2012	170,118,350	188,815,256	358,933,606	Coffee	2.29	1,183,144,274	30.337%
		18,403,050	4,338,099	22,741,149	Franklin	2.31	86,593,425	26.262%
2014	2013	171,331,825	192,247,233	363,579,058	Coffee	2.54	1,198,477,195	30.337%
		18,729,550	5,107,985	23,837,535	Franklin	2.56	90,464,876	26.350%
2015	2014	169,335,750	192,629,158	361,964,908	Coffee	2.60	1,189,993,603	30.417%
		19,406,475	4,912,797	24,319,272	Franklin	2.61	92,564,873	26.273%
2016	2015	176,428,575	194,591,762	371,020,337	Coffee	2.60	1,224,636,987	30.296%
		20,337,700	5,463,209	25,800,909	Franklin	2.61	98,303,094	26.246%

Ratio of assessed value to appraised value:

25 % Residential, Farm, Agricultural, and Forest

40 % Commerical and Industrial

30 % Personal (equipment)



**CITY OF TULLAHOMA, TENNESSEE  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Coffee County</b>			<b>Franklin County</b>		
	<b>City Direct Rate</b>	<b>Coffee County Rate</b>	<b>Overlapping Rate <sup>(1)</sup></b>	<b>City Direct Rate</b>	<b>Franklin County Rate</b>	<b>Overlapping Rate <sup>(2)</sup></b>
2007	2.49	2.25	4.74	2.84	2.62	5.46
2008	2.44	2.37	4.81	2.44	2.01	4.45
2009	2.44	2.46	4.90	2.44	2.11	4.55
2010	2.44	2.46	4.90	2.44	2.11	4.55
2011	2.29	2.58	4.87	2.42	2.23	4.65
2012	2.29	2.58	4.87	2.42	2.23	4.65
2013	2.29	2.58	4.87	2.31	2.44	4.75
2014	2.54	2.58	5.12	2.56	2.44	5.00
2015	2.60	2.87	5.47	2.61	2.45	5.06
2016	2.60	2.87	5.47	2.61	2.36	4.97

(1) Overlapping rates are those of local and Coffee County governments that apply to property owners within the City of Tullahoma.

(2) Overlapping rates are those of local and Franklin County governments that apply to property owners within the City of Tullahoma.

Property tax rates are per \$100 of assessed value.

Sources: Tennessee Comptroller of the Treasury, Division of Property Assessments, 2015 Property Tax Rates.

**CITY OF TULLAHOMA, TENNESSEE  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

<b>Taxpayer</b>	<b>2016</b> (for tax year 2015)			<b>2007</b> (for tax year 2006)		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Goodrich/United Technology	\$ 10,069,805	1	2.54%	\$ 2,195,388	10	0.64%
Tullahoma HMA, Inc.	9,787,640	2	2.47%	-	-	-
Ascend Federal Credit Union	5,340,520	3	1.35%	3,555,127	5	-
Northgate Unlimited	4,628,960	4	1.17%	3,798,440	4	1.11%
Forest Gallery, LLC	4,489,760	5	1.13%	4,595,680	2	1.34%
Centro NP Commerce Central	4,330,800	6	1.09%	-	-	-
Harton Regional Medical Center	3,692,162	7	0.93%	6,481,480	1	1.89%
Lowes Home Center, Inc.	3,424,600	8	0.86%	3,446,720	6	1.01%
JSP Internation LLC	3,155,202	9	0.80%	-	-	-
Coffee County Ind. Board	2,571,680	10	0.65%	-	-	0.00%
Bell South	-	-	-	3,411,202	7	1.00%
Excel Realty Partners	-	-	-	4,199,640	3	1.23%
Harton Family Partners	-	-	-	2,993,915	8	0.87%
Continental, LTD	-	-	-	2,371,640	9	0.69%
<b>Total</b>	<b>\$ 51,491,129</b>		<b>12.99%</b>	<b>\$ 37,049,232</b>		<b>9.78%</b>

Source: Tullahoma City Recorder

**CITY OF TULLAHOMA, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Tax Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2006	\$ 8,366,611	\$ 8,066,479	96.41%	\$ 291,193	\$ 8,357,672	99.89%
2008	2007	8,359,817	8,130,511	97.26%	222,569	8,353,080	99.92%
2009	2008	8,466,612	8,292,213	97.94%	157,375	8,449,588	99.80%
2010	2009	8,588,443	8,454,948	98.45%	118,157	8,573,105	99.82%
2011	2010	8,756,655	8,562,514	97.78%	176,913	8,739,427	99.80%
2012	2011	8,782,720	8,349,786	95.07%	402,310	8,752,096	99.65%
2013	2012	8,871,714	8,479,360	95.58%	335,714	8,815,074	99.36%
2014	2013	9,981,425	9,433,864	94.51%	465,528	9,899,392	99.18%
2015	2014	10,271,041	9,833,739	95.74%	68,696	9,902,435	96.41%
2016	2015	10,320,976	9,952,370	96.43%	-	9,952,370	96.43%

Source: City of Tullahoma Finance Department

**CITY OF TULLAHOMA, TENNESSEE  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Capital Outlay Notes</b>	<b>Capital Leases</b>	<b>Revenue Bonds</b>	<b>Notes</b>			
2007	\$ 31,349,165	\$ 855,000	\$ 208,241	\$ 2,165,000	\$ 9,867,293	\$ 44,444,699	N/A	2,470
2008	30,080,000	775,000	121,393	18,310,000	9,028,508	58,314,901	N/A	3,147
2009	31,692,463	703,000	10,368	17,390,000	7,840,819	57,636,650	N/A	3,110
2010	39,166,588	627,000	-	16,975,000	6,977,586	63,746,174	N/A	3,431
2011	43,498,000	548,000	-	17,315,000	6,020,276	67,381,276	N/A	3,612
2012	41,406,000	466,000	-	16,575,000	8,176,492	66,623,492	N/A	3,571
2013	39,408,179	380,000	-	15,800,000	7,472,828	63,061,007	N/A	3,380
2014	37,199,147	2,028,955	-	14,939,607	7,703,702	61,871,411	N/A	3,317
2015	34,863,115	5,472,622	-	14,103,980	7,160,020	61,599,737	N/A	3,302
2016	32,439,600	6,559,500	-	13,233,353	6,204,391	58,436,844	N/A	3,133

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

**CITY OF TULLAHOMA, TENNESSEE**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
2007	31,349,165	0.03	1,742.20
2008	30,080,000	0.03	1,671.67
2009	31,692,463	0.03	1,710.06
2010	39,166,588	0.04	2,113.34
2011	43,498,000	0.04	2,341.25
2012	41,406,000	0.04	2,219.57
2013	39,408,179	0.03	2,112.47
2014	37,199,147	0.03	1,994.06
2015	34,863,115	0.03	1,868.83
2016	32,439,600	0.03	1,738.92

**CITY OF TULLAHOMA, TENNESSEE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2016**

<u><b>Governmental Unit</b></u>	<u><b>Debt Outstanding</b></u>	<u><b>Estimated Percentage Applicable <sup>(1)</sup></b></u>	<u><b>Estimated Share of Direct and Overlapping Debt</b></u>
<b>Debt repaid with property taxes:</b>			
Coffee County Bonds (exclude school debt)	\$ 25,075,513	37.29%	\$ 9,350,659
Franklin County Bonds (exclude school debt)	8,383,468	2.95%	<u>247,312</u>
Subtotal, overlapping debt			\$ 9,597,971
<b>City of Tullahoma direct debt</b>			<u>38,999,100</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 48,597,071</u></u>

(1) The percentage of overlapping debt is calculated by dividing the City of Tullahoma's assessed property values by the total of each county's assessments.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Tullahoma. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**CITY OF TULLAHOMA, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: There is no legal debt margin for the City of Tullahoma. Therefore, the calculation is not presented.

**CITY OF TULLAHOMA, TENNESSEE  
PLEDGED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Tullahoma Utilities Board Revenue Bonds						
	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2016	\$ 42,796,126	\$ 37,260,504	\$ 5,535,622	\$ 915,000	\$ 550,218	\$ 1,465,218	3.78
2015	43,830,565	38,393,305	5,437,260	875,000	588,912	1,463,912	3.71
2014	43,594,960	37,523,923	6,071,037	840,000	624,993	1,464,993	4.14
2013	42,396,018	36,460,690	5,935,328	805,000	658,583	1,463,583	4.06
2012	41,207,244	36,567,388	4,639,856	775,000	691,737	1,466,737	3.16
2011	40,982,582	36,141,123	4,841,459	740,000	723,557	1,463,557	3.31
2010	36,043,815	33,982,877	2,060,938	40,000	739,677	779,677	2.64
2009	35,925,238	32,764,516	3,160,722	35,000	741,635	776,635	4.07
2008	31,554,533	27,973,540	3,580,993	830,000	101,249	931,249	3.85
2007	30,263,169	26,305,850	3,957,319	795,000	132,590	927,590	4.27

\* Net of depreciation and amortization



**CITY OF TULLAHOMA, TENNESSEE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income*</b>	<b>Median Age**</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2007	17,994	N/A	\$ 28,716	38.2	3,631	5.7%
2008	17,994	N/A	28,716	38.2	3,636	5.5%
2009	18,533	N/A	24,718	38.1	3,712	6.9%
2010	18,533	N/A	24,718	38.1	3,802	6.9%
2011	18,579	N/A	23,129	38.1	3,542	9.8%
2012	18,655	N/A	23,129	38.1	3,370	7.6%
2013	18,655	N/A	23,129	38.1	3,373	9.3%
2014	18,655	N/A	21,802	40.5	3,443	6.6%
2015	18,655	N/A	23,334	43.4	3,465	5.9%
2016	18,655	N/A	23,968	41.8	3,347	5.5%

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

\*The latest per capita personal income published was in 2011.

\*\*The latest median age available was taken from city.data.com last updated in 2012.

Sources: Population estimates provided by Middle Tennessee Industrial Development Association. Personal income and per capita personal income provided by U.S. Bureau of Economic Analysis. School enrollment provided by the Tennessee Department of Education, Average Daily Membership Report.

**CITY OF TULLAHOMA, TENNESSEE  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Harton Regional Medical Center	550	1	2.22%	495	1	2.02%
United Tech/Goodrich	285	2	1.15%	263	4	1.07%
Ascend Federal Credit Union	247	3	1.00%	225	5	0.92%
TE Connectivity	240	4	0.97%	-	-	-
Cubic Transportation Systems	235	5	0.95%	180	6	0.73%
Wisco Envelopes Co., Inv.	201	6	0.81%	265	3	1.08%
JSP International LLC	196	7	0.79%	-	-	-
Schmiede Corporation	157	8	0.63%	155	7	0.63%
Sonoco Corporation	150	9	0.60%	-	-	-
Tullahoma Industries	100	10	0.40%	-	-	-
Coca Cola Bottling Works	-	-	-	80	10	0.33%
Tennessee Apparel	-	-	-	342	2	1.39%
Createc Corporation	-	-	-	125	8	0.51%
US Displays	-	-	-	95	9	0.39%
Total	<u>2,361</u>		<u>9.52%</u>	<u>2,225</u>		<u>9.07%</u>

Source: Middle Tennessee Industrial Development Association and Industrial Board of Coffee County.

**CITY OF TULLAHOMA, TENNESEE**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities:</b>										
Administrative	4	4	4	7	7	7	7	7	7	7
Finance	7	6	6	4	3	4	4	4	4	4
Planning	4	4	4	4	4	4	4	4	4	4
Building	2	2	2	2	2	2	2	2	2	2
Police:										
Personnel and officers	44	46	47	45	45	45	45	45	45	45
Fire:										
Firefighters and officers	38	38	40	39	38	38	38	38	38	38
Public Works	42	42	42	42	42	42	42	42	44	44
Parks and recreation	36	35	35	35	14	14	14	14	39	40
Education	490	517	502	502	502	492	492	489	495	528
<b>Business-type Activities:</b>										
Tullahoma Utilities Board	70	72	77	75	79	79	80	81	80	81
<b>Total</b>	<u>737</u>	<u>766</u>	<u>759</u>	<u>755</u>	<u>736</u>	<u>727</u>	<u>728</u>	<u>726</u>	<u>758</u>	<u>793</u>

Source: Various city departments.

**CITY OF TULLAHOMA, TENNESSEE  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	Fiscal year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Physical arrests	866	2,294	1,534	1,765	1,699	1,236	1,193	1,314	1,214	1,606
Traffic violations	4,513	6,414	2,757	2,626	2,992	4,247	4,193	4,531	4,479	4,672
Fire:										
Emergency response	457	564	487	495	600	536	699	1,018	1,180	1,300
Inspections	1,389	652	463	599	750	649	295	652	669	67
Business-type activities:										
Average number of customers:										
Power System	10,393	11,004	10,287	10,359	10,359	10,376	10,396	11,045	10,586	10,675
Water System	9,439	9,463	9,500	9,504	9,540	9,597	9,637	9,740	9,824	9,880
Wastewater System	7,320	7,321	7,321	7,310	7,335	7,390	7,415	7,499	7,569	7,614
Fiber Optics System	N/A	N/A	1,393	1,756	2,565	2,852	3,131	3,247	3,379	3,488

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

Source: Various city departments.

**CITY OF TULLAHOMA, TENNESSEE**  
**CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<u><b>Function</b></u>	<b>Fiscal year ended June 30,</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works:										
Streets (miles)	187	330	330	330	330	330	330	330	330	330
Parks and recreation:										
Parks	8	8	8	8	8	8	8	8	8	8
Acreage	200	200	200	590	590	590	590	590	590	590
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer fields	7	11	11	11	11	11	11	11	11	11
Baseball fields	6	6	6	6	6	6	6	6	6	6
Softball fields	-	-	4	4	4	4	4	4	4	4
Business-type activities:										
Tullahoma Utilities Board:										
Electric:										
Streetlights	2,829	2,829	2,854	2,854	2,854	2,882	2,886	2,886	2,912	2,905
Water:										
Water mains (miles)	265	265	270	260	260	260	270	270	270	270
Fire hydrants	1,009	1,009	1,032	1,024	1,024	1,024	1,093	1,093	1,093	1,093
Storage capacity (thousand gallons)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Wastewater:										
Sanitary sewers (miles)	155	160	160	160	160	160	200	200	200	200
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	7
Daily treatment capacity (thousand gallons)	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

Source: Various city departments.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

**ELECTRIC RATES**

<b>RESIDENTIAL SERVICE</b>	<b><u>Base Rate</u></b>	<b><u>Fuel Cost</u> <u>Adjustment</u></b>	<b><u>Total</u> <u>Retail Rate</u></b>
Customer Charge	\$15.00		
Peak (1 PM-7 PM, Mon-Fri)	\$0.10545 kWh	0.01949	\$0.12494
Off-Peak	\$0.05385 kWh	0.01949	\$0.07334
Transition	\$0.05834 kWh	0.01949	\$0.07783

**GENERAL POWER SERVICE**

**GSA-1** If (a) the higher of (1) the customer's currently effective contract demand, if any, or (2) its highest billing demand during the latest 12-month period is not more than 50kW and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:

Customer Charge	\$19.00		
Peak (1 PM-7 PM, Mon-Fri)	\$0.09498 kWh	0.01923	\$0.11421
Off-Peak	\$0.07227 kWh	0.01923	\$0.09150
Transition	\$0.07437 kWh	0.01923	\$0.09360

**GSA-2** If (a) the higher of (1) the customer's currently effective contract demand or (2) its highest billing demand during the latest 12-month period is greater than 50kW but not more than 1,000 kW or (b) if the customer's billing demand is less than 50 kWh and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge	\$80.00		
0 - 50 kW	\$0.50000 kW		
51 - 1,000 kW	\$7.13 kW		
Coincident Peak	\$2.42 kW		
Peak (1 PM-7 PM, Mon-Fri)	\$0.06119 kWh	0.01905	\$0.08024
Off-Peak	\$0.03603 kWh	0.01905	\$0.05508
Transition	\$0.03915 kWh	0.01905	\$0.05820
Facility Charge	70% of highest 12 months demand @ \$0.50 per kw		
Customer Alignment Charge	First 15,000	0.03075 kWh	
	All over 15,000	0.00410 kWh	

**GSA-3** If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW:

Customer Charge	\$200.00		
0 - 1,000 kW	\$10.89 kW		
1,001 - 5,000 kW	\$12.27 kW		
Peak (1 PM-7 PM, Mon-Fri)	\$0.05749 kWh	0.01894	\$0.07643
Off-Peak	\$0.03479 kWh	0.01894	\$0.05373
Transition	\$0.03781 kWh	0.01894	\$0.05675
Facility Charge	70% of highest 12 months demand @ \$0.50 per kw		

**ELECTRIC RATES (continued)**

An additional Facility Charge is applicable

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

**BROADBAND SERVICE RATES**

**Residential**

**TV Packages**

Lifeline Basic	\$ 24.95
Expanded Basic	\$ 69.95
Digital Plus (includes HD set top box)	\$ 88.95
Single Service Adder (subscribe to only one service)	\$ 15.00

**Digital Tiers**

Sports Tier (11 Channels)	\$ 3.00
Movie Tier (4 Channels)	\$ 3.00
Latino Tier (11 Channels)	\$ 3.00

**Premium Movie Channels**

Showtime	\$ 15.00
Cinemax	\$ 15.00
Starz!	\$ 15.00
HBO	\$ 18.00
\$3.00 discount for 2 movie channels	
\$6.00 discount for 3 movie channels	
\$9.00 discount for 4 movie channels	

**Equipment**

HD Digital Box - Primary	Included
HD Digital Box - Additional	\$ 8.00
HD/DVR Digital Box - Primary	\$ 7.00
HD/DVR Digital Box - Additional	\$ 15.00
High Capacity HD/DVR Digital Box - Primary	\$ 14.00
High Capacity HD/DVR Digital Box - Additional	\$ 22.00
Whole Home DVR Service	\$ 5.00

**High Speed Internet**

30 Mbps down / 5 Mbps up (more than one service)	\$ 39.95
single service	\$ 54.95
60 Mbps down / 30 Mbps up	\$ 49.95
single service	\$ 59.95
90 Mbps down / 60 Mbps up	\$ 59.95
single service	\$ 64.95
200 Mbps down / 200 Mbps up	\$ 74.95
1 Gbps down / 1 Gbps up	\$ 89.95

**DoublePlay Bundles**

LightTube DoublePlay #1	\$ 56.90
Lifeline Basic TV, Premium Home Phone	
LightTube DoublePlay #2	\$ 64.90
Lifeline Basic TV, 15 Mbps down/5 Mbps up Internet	
LightTube DoublePlay #3	\$ 71.90
15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTube DoublePlay #4	\$ 109.90
Expanded Basic TV, 15 Mbps down/5 Mbps up Internet	
LightTube DoublePlay #5	\$ 128.90
Digital Plus TV w/HD, 15 Mbps down/5 Mbps up Internet	



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

**BROADBAND SERVICE RATES (Continued)**  
**Residential (Continued)**

**TriplePlay Bundles**

LightTUBe Lifeline TriplePlay	\$ 86.95
Lifeline Basic TV, 30 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBe TriplePlay	\$ 123.95
Expanded Basic TV, 30 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBe TriplePlay Plus	\$ 142.95
Digital Plus TV with HD, 15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBe TriplePlay HD	\$ 149.95
Digital Plus TV with HD/DVR, 30 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBe TriplePlay Super Fast	\$ 169.95
Digital Plus TV with HD/DVR, 90 Mbps down/60 Mbps up Internet, Premium Home Phone	

**Telephone Services**

Premium Home Phone (26 features & unlimited LD)	\$ 31.95
Additional Line with Unlimited LD	\$ 24.95
Single Service Adder (subscribe to only one service)	\$ 15.00

**Commercial**

**High Speed Internet**

5 Mbps Tier (5M/1M)	\$ 39.95
No Term	\$ 49.95
30 Mbps Tier (30M/3M)	\$ 69.95
No Term	\$ 79.95
Non-Profit No Term 36-Month Term	\$ 49.95
Non-Profit No Term	\$ 69.95
50 Mbps Tier (50M/5M)	\$ 99.95
No term	\$ 129.95
60 Mbps Tier (60M/20M)	\$ 199.95
No Term	\$ 249.95
100Mbps Tier (100M/50M)	\$ 499.95
No Term	\$ 599.95

**Static IP Addresses**

1 Address (none included in 5 Mbps package)	Free
1 Addresses	\$ 3.00
5 Addresses	\$ 10.00
13 Addresses	\$ 15.00
29 Addresses	\$ 20.00

**Additional Email and Hosting Services**

LightTUBe Domain	Included
Vanity Domain	\$ 5.00 each
Additional email addresses (single)	\$ 2.00
Additional email addresses (block of 25)	\$ 4.00

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

**BROADBAND SERVICE RATES (Continued)**  
**Commercial (Continued)**

**Telephone Services**

Standard Business Phone (22 features & unlimited LD)		
3 Year Term	\$	29.95
2 Year Term	\$	34.95
No Term	\$	39.95
Premium Business Phone (35 features & unlimited LD)		
3 Year Term	\$	33.95
2 Year Term	\$	38.95
No Term	\$	43.95
Analog T1		
Fixed fee per T1	\$	100.00
Per Channel Charge (minimum of 9)	\$	20.00
Digital T1 (PRI)		
Full 2-Way T1 (23+D)	\$	500.00
Half 2-Way T1 (12+D)	\$	300.00
Full Inbound-Only T1 (23+D)	\$	250.00
Block of 20 DIDs	\$	15.00
Long Distance (per minute)	\$	0.05
800 Service (monthly)	\$	5.00
Remote Call Forward Line (monthly)	\$	16.00
Remote Call Forward Line (per minute)	\$	0.05
Toll Free Vanity Search	\$	5.00
Account Codes - Verified	\$	5.00

**Premium Directory Listing**

Non-Published Listing	\$	5.50
Non-Listed Listing	\$	5.50
Additional Listing	\$	5.50
Alternate Listing	\$	5.50

**Directory Assistance**

Directory Assistance (local & national)	\$	1.00
Operated Assisted Service Surcharge	\$	1.00
International Directory Assistance	\$	5.00

**Video Packages**

Expanded Basic	\$	69.95
Digital Basic (no music channels)	\$	88.95
Expanded Basic (Hospitality)		Varies
Commercial Music Only	\$	39.95

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS**  
**TULLAHOMA UTILITIES BOARD**  
**JUNE 30, 2016**

**BROADBAND SERVICE RATES (Continued)**  
**Commercial (Continued)**

**Equipment**

HD Digital Box - Primary	Included
HD Digital Box - Additional	\$ 8.00
HD/DVR Digital Box - Primary	\$ 10.00
HD/DVR Digital Box - Additional	\$ 15.00
High Capacity HD/DVR Digital Box - Primary	\$ 17.00
High Capacity HD/DVR Digital Box - Additional	\$ 22.00
Unreturned Digital Box	\$ 150.00
Unreturned Digital HD Box	\$ 200.00
Unreturned Digital HD/DVR Box	\$ 350.00
Unreturned High Capacity HD/DVR Box	\$ 500.00

Number of customers as of June 30, 2016:

Electric System	10,675
Water System	9,880
Waste Water System	7,614
Fiber System	3,448

**CITY OF TULLAHOMA, TENNESSEE  
AWWA REPORTING WORKSHEET  
JUNE 30, 2016**

Unaudited – See Accompanying Accountants' Report



**AWWA Free Water Audit Software:  
Reporting Worksheet**

WAS v5.0  
American Water Works Association  
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? Click to access definition  
+ Click to add a comment

Water Audit Report for: **Tullahoma Utilities Board (TN0000715)**  
Reporting Year: **2016** **7/2015 - 6/2016**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

**WATER SUPPLIED**

Volume from own sources:  n/a  MG/Yr  
Water imported:  10  1,129.929 MG/Yr  
Water exported:  8  229.411 MG/Yr

**Master Meter and Supply Error Adjustments**

Pcnt:  Value:  MG/Yr  
 5  0.25%  MG/Yr  
 5  0.25%  MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED: 898.272 MG/Yr**

**AUTHORIZED CONSUMPTION**

Billed metered:  9  724.358 MG/Yr  
Billed unmetered:  n/a  MG/Yr  
Unbilled metered:  n/a  MG/Yr  
Unbilled unmetered:  11.228 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION: 735.586 MG/Yr**

Click here: ?  
for help using option  
buttons below

Pcnt:  Value:  MG/Yr  
 1.25%  MG/Yr

Use buttons to select  
percentage of water  
supplied  
OR  
value

Pcnt:  Value:  MG/Yr  
 0.25%  MG/Yr

0.50%  MG/Yr  
 0.25%  MG/Yr

**WATER LOSSES (Water Supplied - Authorized Consumption)**

**162.686 MG/Yr**

**Apparent Losses**

Unauthorized consumption:  2.246 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:  8  3.640 MG/Yr  
Systematic data handling errors:  1.811 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses: 7.697 MG/Yr**

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:  **154.989 MG/Yr**

**WATER LOSSES: 162.686 MG/Yr**

**NON-REVENUE WATER**

**NON-REVENUE WATER: 173.914 MG/Yr**

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:  9  261.0 miles  
Number of active AND inactive service connections:  8  11,351  
Service connection density:  43 conn./mile main

Are customer meters typically located at the curbside or property line?  Yes

Average length of customer service line:  (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:  8  52.0 psi

**COST DATA**

Total annual cost of operating water system:  10  \$3,484,802 \$/Year  
Customer retail unit cost (applied to Apparent Losses):  8  \$9.66 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses):  10  \$1,250.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 87 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

**1: Unauthorized consumption**

**2: Systematic data handling errors**

**3: Customer metering inaccuracies**

CITY OF TULLAHOMA, TENNESSEE  
AWWA REPORTING WORKSHEET  
JUNE 30, 2016  
Unaudited – See Accompanying Accountants' Report

AWWA Free Water Audit Software:

WAS v5.0  
American Water Works Association.  
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### System Attributes and Performance Indicators

Water Audit Report for: Tullahoma Utilities Board (TN0000715)

Reporting Year: 2016 7/2015 - 6/2016

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 \*\*\*

**System Attributes:**

	Apparent Losses:	7.697	MG/Yr
	+ Real Losses:	154.989	MG/Yr
	= <b>Water Losses:</b>	<b>162.686</b>	MG/Yr

?

Unavoidable Annual Real Losses (UARL): 59.12 MG/Yr  
 Annual cost of Apparent Losses: \$74,349  
 Annual cost of Real Losses: \$193,736

Valued at **Variable Production Cost**  
Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	19.4%	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	8.1%	

Operational Efficiency:	{	Apparent Losses per service connection per day:	1.86	gallons/connection/day
		Real Losses per service connection per day:	37.41	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.72	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 154.99 million gallons/year  
? Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.62

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**CITY OF TULLAHOMA, TENNESSEE  
SCHEDULE OF PUBLIC OFFICIALS AND BONDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Official</u>	<u>Name</u>	<u>Bond amount</u>
City Administrator	Louis J. Baltz, III	\$ 100,000
Director of Finance	Susan Wilson	\$ 100,000
City Recorder	Rosemary Womack	\$ 100,000
Purchasing Officer	Paige Jackson	\$ 100,000
Police Chief	Paul Blackwell	\$ 10,000

**Tullahoma Board of Education**

All Board Members	Each occurrence with \$2,500 Retention	\$ 1,000,000
Director of Schools	Dr. Dan Lawson	\$ 774,200
All Employees:		
Employee Wright Specialty	Each and every loss with \$500 deductible	\$ 150,000

**Tullahoma Utilities Board**

All Public Officials:		
Liability	Each occurrence/ \$5,000 per occurrence deductible	\$ 1,000,000
All Employees		
Employee Fidelity	Each and every loss	\$ 500,000

## **REPORTS ON COMPLIANCE AND INTERNAL CONTROLS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Board of Aldermen  
City of Tullahoma, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Tullahoma, Tennessee's basic financial statements and have issued our report thereon dated March 31, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Tullahoma, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004 that we consider to be significant deficiencies.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Tullahoma, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as an item 2016-004.

### **City of Tullahoma, Tennessee's Response to Findings**

City of Tullahoma, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Tullahoma, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Honsholder Antman PLLC*

Tullahoma, Tennessee  
March 31, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

Honorable Mayor and Board of Aldermen  
City of Tullahoma, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the City of Tullahoma, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Tullahoma, Tennessee's major federal programs for the year ended June 30, 2016. The City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Tullahoma, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tullahoma, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Tullahoma, Tennessee's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Tullahoma, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of the City of Tullahoma, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Tullahoma, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose



Tullahoma, Tennessee  
March 31, 2017

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
**JUNE 30, 2016**

**I. Summary of Auditor's Results**

1. The June 30, 2016 Auditor's Report on the Financial Statements is an unqualified opinion.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements – see part II.
3. The audit did not disclose any instances of noncompliance which is material to the financial statements.
4. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. The June 30, 2016 report on compliance for major programs is an unqualified opinion.
6. No audit findings required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance were noted.
7. Major Programs include:

**CFDA number**

**Name of federal program or cluster**

**Child Nutrition Cluster:**

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	National School Snacks Program

**Special Education Cluster:**

84.027	IDEA, Part B
84.173	IDEA, Preschool

**Title I Part A Cluster:**

84.010	Title I Grants to Local Educational Agencies
--------	--

8. Type A programs have been distinguished as those programs with expenditures greater than \$750,000.
9. City of Tullahoma does qualify to be a low risk auditee.

**CITY OF TULLAHOMA, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
JUNE 30, 2016**

**II. Findings related to the Financial Statements reported in accordance with *Government Auditing Standards*:**

**TULLAHOMA UTILITIES BOARD**

***Finding 2016-001: Deficit fund balance for Fiber Optics Fund-repeat finding***

As of June 30, 2016 the Fiber Optics Fund has a deficit fund balance of \$1,301,822.

***Recommendation:***

The Board of Directors and management should develop plans to bring the fund balance of the Fiber Optics Fund into compliance with regulatory requirements.

***Management's Response:***

The business plan showed that we would operate at a loss for the first three years. Actuals are closely following the original plan. At the end of FY 16, we are net income positive and are actively reducing the deficit fund balance from prior years.

**TULLAHOMA BOARD OF EDUCATION**

***Finding 2016-002: Preparation of Financial Statements and Related Disclosures***

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

***Recommendation:***

We recommend management develop compensating controls such as by engaging the services of other CPA's to draft the financial statements and related disclosures or to review a draft of the financial statements and related disclosures.

***Management's Response:***

We concur with the auditor's finding and recommendation.

***Finding 2016-003: Audit Adjustments***

We identified the following audit adjustments through the performance of our audit procedures:

- Due from other governments was understated by \$41,761 in the General Purpose School Fund.
- Due from primary government was understated by \$432,814 in the General Purpose School Fund.
- Revenue for sanitation charges from the City of Tullahoma of \$99,911 were not recorded in the General Purpose School Fund.

***Recommendation:***

We recommend that management implement more stringent cut-off review procedures to identify possible unrecorded transactions.

***Management's Response:***

We concur with the auditors' finding and recommendation.

**CITY OF TULLAHOMA, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
JUNE 30, 2016**

**TULLAHOMA MUNICIPAL AIRPORT AUTHORITY**

***Finding 2016-004: Cash Counts***

During our two cash counts, we noted that the cash drawer was short on one day and over on the other. Therefore, the cash drawer was not balanced on either day.

***Recommendation:***

We recommended that the collection should be reconciled each day and amounts over or short, if any, should be accounted for in the accounting record and deposited if applicable.

***Management's Response:***

We concur with the auditors' finding and recommendation.

**III. Findings related to Federal Awards (no questioned costs):**

There were no findings related to the Federal awards for the year ended June 30, 2016.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Statement Findings

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2015-001	City of Tullahoma - Excess expenditures (original finding #2015-001)	Corrected
2015-002	Tullahoma Utility Board - Deficit fund balance for Fiber Optic Fund (original finding #2010-004)	Repeated
2015-003	Tullahoma Board of Education - Preparation of Financial Statements and Related Disclosures (original finding #2009-002)	Repeated
2015-004	Tullahoma Board of Education - Audit Adjustments (original finding #2009-003)	Repeated
2015-005	Tullahoma Municipal Airport Authority - Preparation of Financial Statements and Related Disclosures (original finding #2009-005)	Corrected
2015-006	Tullahoma Municipal Airport Authority - Cash Counts (original finding #2015-006)	Repeated